
SENATE BILL No. 241

AM024101 has been incorporated into introduced printing.

Synopsis: Utility service enhancement improvement costs.

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2026

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Introduced

Second Regular Session of the 124th General Assembly (2026)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2025 Regular Session of the General Assembly.

SENATE BILL No. 241

A BILL FOR AN ACT to amend the Indiana Code concerning utilities.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 8-1-2.7-1.3, AS AMENDED BY P.L.78-2007,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2026]: Sec. 1.3. (a) This chapter applies to the following:
4 (1) A public utility established to provide water service that is:
5 (A) privately owned and serves less than three hundred
6 (300) customers;
7 (B) a not-for-profit utility (as defined by IC 8-1-2-125(a));
8 (C) a cooperative corporation exempt from state and federal
9 income taxation; or
10 (D) a conservancy district established under IC 14-33-2
11 that:
12 (i) has as a purpose of the district the provision of a
13 water supply, including the treatment and distribution
14 of water, for domestic, industrial, and public use; and
15 (ii) provides water service to less than ~~two~~ **three**

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1 thousand (2,000) (3,000) customers.

2 (2) A public utility established to provide sewage disposal

3 service (as defined in IC 8-1-2-89(a)(1)) that holds a certificate

4 of territorial authority as required by IC 8-1-2-89, and that is:

5 (A) privately owned and serves less than three hundred

6 (300) customers;

7 (B) a not-for-profit utility (as defined in IC 8-1-2-125(a));

8 or

9 (C) a cooperative corporation exempt from state and federal

10 income taxation.

11 (3) Except as provided in subsection (b), a legal entity providing

12 only sewage treatment service to a not-for-profit sewage disposal

13 company.

14 (b) Subsection (a)(3) does not include a sewage treatment provider

15 that is otherwise subject to the commission's jurisdiction.

16 SECTION 2. IC 8-1-31.7-7, AS ADDED BY P.L.137-2020,

17 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

18 JULY 1, 2026]: Sec. 7. As used in this chapter, "service enhancement

19 improvement" means an expenditure that is either of the following:

20 (1) Made, or to be made, by an eligible utility and related to:

21 (A) direct or indirect compliance with one (1) or more

22 requirements; or

23 (B) installation of a new plant or equipment:

24 (i) that is not a replacement plant or equipment; and

25 (ii) that the commission determines is reasonable and

26 appropriate to further health, safety, or environmental

27 protection for the eligible utility's customers,

28 employees, or the public.

29 (2) Replacement of a plant or equipment Any of the following

30 that are made, or to be made, or incurred, or to be incurred,

31 to maintain existing health, safety, or environmental protection

32 for the eligible utility's customers, employees, or the public:

33 (A) Replacement of a plant or equipment.

34 (B) Subject to section 9.1 of this chapter, chemical costs

35 recorded in:

36 (i) Account 618; or

37 (ii) Account 718;

38 of the National Association of Regulatory Utility

39 Commissioners Uniform System of Accounts as adopted

40 by the commission under 170 IAC 6-2-2.

41 (C) Subject to section 9.1 of this chapter, power costs

42 recorded in:



(i) Account 615; or
(ii) Account 715;
of the National Association of Regulatory Utility
Commissioners Uniform System of Accounts as adopted
by the commission under 170 IAC 6-2-2.

SECTION 3. IC 8-1-31.7-9, AS AMENDED BY P.L.100-2023, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 9. (a) Except as provided in subsection (e), before an eligible utility may seek to recover its service enhancement improvement costs through a periodic rate adjustment under section 12 of this chapter, it must first obtain preapproval from the commission of its plan for the proposed service enhancement improvement or improvements. The eligible utility must file with the commission a petition and a case in chief, including supporting information described in section 10 or 11 of this chapter, as applicable. If the petition includes a request for an allocation of costs under IC 8-1-30.3-6.5, the eligible utility shall provide a copy of:

(1) the petition; and

(2) the eligible utility's case in chief;

to each intervenor in the eligible utility's last general rate case.

(b) After holding a public hearing for which proper notice is given under IC 8-1-1-8, the commission shall preapprove the eligible utility's plan under this section if the commission makes the required findings under section 10 or 11 of this chapter, as applicable. If the service enhancement improvement is not described in section 7(1)(A) of this chapter, the commission shall preapprove the eligible utility's plan under this section if the commission makes the required finding under section 7(1)(B)(ii) of this chapter.

(c) The commission shall issue its final order on the petition not later than two hundred ten (210) days after the filing of the eligible utility's case in chief.

(d) An eligible utility may have more than one (1) plan, and an eligible utility may file separate petitions for separate plans.

(e) An eligible utility is not required to seek preapproval of a plan in order to seek recovery under section 12 of this chapter for:

(1) eligible additions service enhancement improvements that are described in section 7(2)(A) of this chapter; or

(2) costs that are described in section 7(2)(B) or 7(2)(C) of this chapter.

(f) This subsection does not apply to an adjustment rider under section 12 of this chapter for the recovery of costs described in section 7(2)(B) or 7(2)(C) of this chapter. If the commission

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1 approves an eligible utility's plan under this section, or if approval is
 2 otherwise not required, the commission shall approve a rider
 3 authorizing timely recovery of the eligible utility's service enhancement
 4 improvement costs under section 12 of this chapter. The following
 5 apply to the utility's timely recovery:

6 (1) Eighty percent (80%) of the eligible utility's service
 7 enhancement improvement costs shall be recovered by the
 8 eligible utility through a periodic rate adjustment mechanism
 9 that allows the timely recovery of the approved service
 10 enhancement improvement costs.
 11 (2) Twenty percent (20%) of the eligible utility's service
 12 enhancement improvement costs, including depreciation,
 13 allowance for funds used during construction, and post in service
 14 carrying costs, compounded monthly and based on the overall
 15 cost of capital most recently approved by the commission, shall
 16 be deferred and recovered by the eligible utility as part of its
 17 next general rate case filed by the eligible utility with the
 18 commission.
 19 (3) Actual costs that exceed by more than twenty-five percent
 20 (25%) the projected costs set forth in the eligible utility's plan
 21 approved under this section require specific justification by the
 22 eligible utility and specific approval by the commission before
 23 being authorized in the next general rate case filed by the
 24 eligible utility with the commission.

25 SECTION 4. IC 8-1-31.7-9.1 IS ADDED TO THE INDIANA
 26 CODE AS A NEW SECTION TO READ AS FOLLOWS
 27 [EFFECTIVE JULY 1, 2026]: **Sec. 9.1. (a) This section applies to the**
 28 **recalculation of costs described in section 7(2)(B) and 7(2)(C) of**
 29 **this chapter for purposes of an adjustment rider under section 12**
 30 **of this chapter.**

31 **(b) Chemical costs described in section 7(2)(B) of this chapter**
 32 **may be recalculated as follows:**

33 **(1) If:**

34 **(A) at least two (2) years have elapsed since the date of**
 35 **the commission's most recent order adjusting the basic**
 36 **rates and charges of an eligible utility; and**
 37 **(B) the average actual annual cost of chemicals has**
 38 **increased or decreased by at least three percent (3%)**
 39 **over the course of the two (2) year period described in**
 40 **subdivision (2);**

41 **the eligible utility may submit for the commission's review**
 42 **supporting documentation of the average actual annual cost**



1 of chemicals for the two (2) year period described in
2 subdivision (2), as calculated under subdivision (2), along
3 with documentation of how the average annual cost of
4 chemicals over that period differs from the amount currently
5 being collected for chemicals through the eligible utility's
6 rates. However, if the average actual annual cost of
7 chemicals has not changed or has increased or decreased by
8 less than three percent (3%) over the course of the two (2)
9 year period described in subdivision (2), an eligible utility
10 may not seek an adjustment to the eligible utility's recovery
11 of chemical costs under this section.

12 (2) If the eligible utility has determined that the average
13 actual annual cost of chemicals has increased or decreased
14 by at least three percent (3%) over the course of the two (2)
15 year period described in this subdivision, the eligible utility
16 shall include in its submission under this subsection a
17 calculation of the average actual annual cost of chemicals for
18 the two (2) year period described in this subdivision, along
19 with a comparison of that cost to the amount currently being
20 collected for chemicals through the eligible utility's rates, as
21 follows:

22 STEP ONE: Calculate the actual cost of chemicals
23 during the two (2) year period immediately preceding
24 the date of the eligible utility's submission under this
25 subsection by adding together the actual annual cost of
26 chemicals in each year of the two (2) year period.

27 STEP TWO: Calculate the quotient of the STEP ONE
28 amount divided by two (2). This quotient is the average
29 actual annual cost of chemicals for the two (2) years
30 immediately preceding the eligible utility's submission
31 under this subsection.

32 STEP THREE: Calculate the difference between:

- 33 (i) the STEP TWO result; minus
- 34 (ii) the amount currently being collected for
- 35 chemicals through the eligible utility's rates on an
- 36 annual basis.

37 (3) If the STEP THREE result under subdivision (2) is a
38 positive number, the amount of the STEP THREE result
39 shall be included in the adjustment rider under section 12 of
40 this chapter as an expense in calculating an adjustment to the
41 rider.

42 (4) If the STEP THREE result under subdivision (2) is a



1 negative number, the amount of the STEP THREE result
 2 shall be included in the adjustment rider under section 12 of
 3 this chapter as a credit in calculating an adjustment to the
 4 rider.

5 (c) Power costs described in section 7(2)(C) of this chapter may
 6 be recalculated as follows:

7 (1) If:

8 (A) at least two (2) years have elapsed since the date of
 9 the commission's most recent order adjusting the basic
 10 rates and charges of an eligible utility; and
 11 (B) the average actual annual cost of power has
 12 increased or decreased by at least three percent (3%)
 13 over the course of the two (2) year period described in
 14 subdivision (2);

15 the eligible utility may submit for the commission's review
 16 supporting documentation of the average actual annual cost
 17 of power for the two (2) year period described in subdivision
 18 (2), as calculated under subdivision (2), along with
 19 documentation of how the average annual cost of power over
 20 that period differs from the amount currently being collected
 21 for power through the eligible utility's rates. However, if the
 22 average actual annual cost of power has not changed or has
 23 increased or decreased by less than three percent (3%) over
 24 the course of the two (2) year period described in subdivision
 25 (2), an eligible utility may not seek an adjustment to the
 26 eligible utility's recovery of power costs under this section.

27 (2) If the eligible utility has determined that the average
 28 actual annual cost of power has increased or decreased by at
 29 least three percent (3%) over the course of the two (2) year
 30 period described in this subdivision, the eligible utility shall
 31 include in its submission under this subsection a calculation
 32 of the average actual annual cost of power for the two (2)
 33 year period described in this subdivision, along with a
 34 comparison of that cost to the amount currently being
 35 collected for power through the eligible utility's rates, as
 36 follows:

37 **STEP ONE:** Calculate the actual cost of power during
 38 the two (2) year period immediately preceding the date
 39 of the eligible utility's submission under this subsection
 40 by adding together the actual annual cost of power in
 41 each year of the two (2) year period.

42 **STEP TWO:** Calculate the quotient of the STEP ONE



amount divided by two (2). This quotient is the average actual annual cost of power for the two (2) years immediately preceding the eligible utility's submission under this subsection.

STEP THREE: Calculate the difference between:

- (i) the STEP TWO result; minus
- (ii) the amount currently being collected for power through the eligible utility's rates on an annual basis.

(3) If the STEP THREE result under subdivision (2) is a positive number, the amount of the STEP THREE result shall be included in the adjustment rider under section 12 of this chapter as an expense in calculating an adjustment to the rider.

(4) If the STEP THREE result under subdivision (2) is a negative number, the amount of the STEP THREE result shall be included in the adjustment rider under section 12 of this chapter as a credit in calculating an adjustment to the rider.

SECTION 5. IC 8-1-31.7-12, AS ADDED BY P.L.137-2020, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 12. (a) If the commission approves an eligible utility's plan under section 9 of this chapter, or if commission approval of the plan is otherwise not required, the eligible utility may file a petition to establish or adjust an adjustment rider to its rate schedules under this section so as to allow timely recovery of the eligible utility's service enhancement improvement costs. The following shall apply:

- (1) The adjustment rider shall be calculated as a fixed charge based upon equivalent meter size.
- (2) Publication of notice of the filing is not required.

For purposes of this section, the timely recovery of costs for a municipally owned utility or a not-for-profit utility shall be in a manner consistent with IC 8-1-31-8(a)(3).

(b) Except as provided in subsection (i), the adjustment rider shall provide for the timely recovery of eighty percent (80%) of the service enhancement improvement costs. The remaining twenty percent (20%) of the service enhancement improvement costs shall be deferred under section 9(f)(2) of this chapter.

- (c) The commission shall conduct a hearing.
- (d) The office of the utility consumer counselor may:
 - (1) examine information of the eligible utility to confirm:
 - (A) that the eligible additions are in accordance with



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1 **provide for the timely recovery of those costs in full and without**
2 **the deferral otherwise required under subsection (b).**

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