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## SENATE BILL No. 241

Proposed Changes to introduced printing by AM024101

### DIGEST OF PROPOSED AMENDMENT

Withdrawal of conservancy districts from IURC jurisdiction. Adds language to amend the statute that authorizes a conservancy district providing water service to withdraw from the jurisdiction of the Indiana utility regulatory commission (IURC) if the conservancy district serves less than 2,000 customers, so as to authorize a withdrawal from the IURC's jurisdiction if the conservancy district serves less than 3,000 customers.

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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~~  
16                 thousand (2,000) (3,000) customers.  
17         (2) A public utility established to provide sewage disposal

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1       service (as defined in IC 8-1-2-89(a)(1)) that holds a certificate  
 2       of territorial authority as required by IC 8-1-2-89, and that is:

3       (A) privately owned and serves less than three hundred  
 4       (300) customers;

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

6       or

7       (C) a cooperative corporation exempt from state and federal  
 8       income taxation.

9       (3) Except as provided in subsection (b), a legal entity providing  
 10      only sewage treatment service to a not-for-profit sewage disposal  
 11      company.

12      (b) Subsection (a)(3) does not include a sewage treatment provider  
 13      that is otherwise subject to the commission's jurisdiction.

14      1 SECTION ↪[2]. IC 8-1-31.7-7, AS ADDED BY P.L.137-2020,  
 15      SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 16      JULY 1, 2026]: Sec. 7. As used in this chapter, "service enhancement  
 17      improvement" means an expenditure that is either of the following:

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

19       (A) direct or indirect compliance with one (1) or more  
 20       requirements; or

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

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

23       (ii) that the commission determines is reasonable and  
 24       appropriate to further health, safety, or environmental  
 25       protection for the eligible utility's customers,  
 26       employees, or the public.

27      (2) Replacement of a plant or equipment Any of the following  
 28      that are made, or to be made, or incurred, or to be incurred, [1]  
 29      ] to maintain existing health, safety, or environmental protection  
 30      for the eligible utility's customers, employees, or the public:

31       (A) **Replacement of a plant or equipment.**

32       (B) **Subject to section 9.1 of this chapter, chemical costs**  
 33       **recorded in:**

34       (i) **Account 618; or**

35       (ii) **Account 718;**

36       **of the National Association of Regulatory Utility**  
 37       **Commissioners Uniform System of Accounts as adopted**  
 38       **by the commission under 170 IAC 6-2-2.**

39       (C) **Subject to section 9.1 of this chapter, power costs**  
 40       **recorded in:**

41       (i) **Account 615; or**

42       (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.

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

16 (1) the petition; and  
17 (2) the eligible utility's case in chief;

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

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

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

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

38 (f) This subsection does not apply to an adjustment rider  
39 under section 12 of this chapter for the recovery of costs described  
40 in section 7(2)(B) or 7(2)(C) of this chapter. If the commission  
41 approves an eligible utility's plan under this section, or if approval is  
42 otherwise not required, the commission shall approve a rider

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1 authorizing timely recovery of the eligible utility's service enhancement  
 2 improvement costs under section 12 of this chapter. The following  
 3 apply to the utility's timely recovery:

4 (1) Eighty percent (80%) of the eligible utility's service  
 5 enhancement improvement costs shall be recovered by the  
 6 eligible utility through a periodic rate adjustment mechanism  
 7 that allows the timely recovery of the approved service  
 8 enhancement improvement costs.

9 (2) Twenty percent (20%) of the eligible utility's service  
 10 enhancement improvement costs, including depreciation,  
 11 allowance for funds used during construction, and post in service  
 12 carrying costs, compounded monthly and based on the overall  
 13 cost of capital most recently approved by the commission,  
 14 shall be deferred and recovered by the eligible utility as part of its  
 15 next general rate case filed by the eligible utility with the  
 16 commission.

17 (3) Actual costs that exceed by more than twenty-five percent  
 18 (25%) the projected costs set forth in the eligible utility's plan  
 19 approved under this section require specific justification by the  
 20 eligible utility and specific approval by the commission before  
 21 being authorized in the next general rate case filed by the  
 22 eligible utility with the commission.

23 SECTION ~~4~~<sup>4</sup> IS ADDED TO THE  
 24 INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS  
 25 [EFFECTIVE JULY 1, 2026]: **Sec. 9.1. (a) This section applies to the**  
**recalculation of costs described in section 7(2)(B) and 7(2)(C) of**  
**this chapter for purposes of an adjustment rider under section 12**  
**of this chapter.**

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

28 **(1) If:**

29 **(A) at least two (2) years have elapsed since the date of**  
 30 **the commission's most recent order adjusting the basic**  
 31 **rates and charges of an eligible utility; and**

32 **(B) the average actual annual cost of chemicals has**  
 33 **increased or decreased by at least three percent (3%)**  
 34 **over the course of the two (2) year period described in**  
 35 **subdivision (2);**

36 **the eligible utility may submit for the commission's review**  
 37 **supporting documentation of the average actual annual cost**  
 38 **of chemicals for the two (2) year period described in**  
 39 **subdivision (2), as calculated under subdivision (2), along**



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

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

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

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

30 STEP THREE: Calculate the difference between:

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

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

40 (4) If the STEP THREE result under subdivision (2) is a  
 41 negative number, the amount of the STEP THREE result  
 42 shall be included in the adjustment rider under section 12 of



**this chapter as a credit in calculating an adjustment to the rider.**

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

(1) If:

(A) at least two (2) years have elapsed since the date of the commission's most recent order adjusting the basic rates and charges of an eligible utility; and

(B) the average actual annual cost of power has increased or decreased by at least three percent (3%) over the course of the two (2) year period described in subdivision (2);

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

eligible utility's recovery of power costs under this section.

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

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

**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**

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**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 ~~44~~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 sections 2 and 8 of this chapter, **as applicable**; and
    - (B) the proper calculation of the adjustment amount

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1 proposed under this section **or section 9.1 of this chapter, 2 as applicable; and**

3 (2) submit a report to the commission not later than thirty (30) 4 days after the petition is filed.

5 (e) Except as provided in subsection (h), the commission shall 6 hold the hearing and issue its order not later than sixty (60) days after 7 the petition is filed.

8 (f) Except as provided in subsection (h), the commission shall 9 enter an order approving a petition filed under this section to the extent 10 the commission finds that the petition complies with the requirements 11 of this chapter.

12 (g) A petition filed under this section may combine one (1) or 13 more of the following:

14 (1) Service enhancement improvement costs associated with one 15 (1) or more plans approved under section 9 of this chapter.

16 (2) Service enhancement improvement costs for which approval 17 of a plan is not required under this chapter.

18 (h) If a petition filed under this section seeks recovery of service 19 enhancement improvement costs associated with eligible additions 20 made in association with service enhancement improvements described 21 in section 7(2) 7(2)(A) of this chapter:

22 (1) the commission shall create a sub-docket to consider the 23 service enhancement improvement costs if the petition combines 24 the service enhancement improvement costs with service 25 enhancement improvement costs associated with approved plans 26 under section 7(1)(A) or 7(1)(B) of this chapter;

27 (2) to approve recovery of the service enhancement improvement 28 costs associated with service enhancement improvements 29 described in section 7(2) 7(2)(A) of this chapter, the commission 30 must find that the service enhancement improvements described 31 in section 7(2) 7(2)(A) of this chapter are reasonable and 32 necessary; and

33 (3) the time period for issuance of an order under subsection (e) 34 is extended to one hundred twenty (120) days with respect to the 35 service enhancement improvement costs associated with service 36 enhancement improvements described in section 7(2) 7(2)(A) of 37 this chapter.

38 **(i) An adjustment rider under this section for the recovery of 39 costs described in section 7(2)(B) or 7(2)(C) of this chapter shall 40 provide for the timely recovery of those costs in full and without 41 the deferral otherwise required under subsection (b).I**

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