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## SENATE BILL No. 241

Proposed Changes to introduced printing by AM024103

### DIGEST OF PROPOSED AMENDMENT

Recovery of chemical and power costs by eligible utilities. Amends the bill's language authorizing an eligible water or wastewater utility (eligible utility) to recover certain chemical and power costs through the service enhancement improvement adjustment rider so as to base the authorized expense or credit over the 12 month period of the rider on a per unit cost of chemicals or power, as applicable, per gallon of water projected to be sold over the 12 month period. Requires an eligible utility for which the Indiana utility regulatory commission (IURC) has issued an order approving an adjustment rider for the recovery of chemical or power costs to file a petition for a change in its adjustment amount: (1) not later than 30 days after the end of each 12 month period after the date of the IURC's order approving the adjustment rider; and (2) until the IURC issues an order in the eligible utility's next general rate case.

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 8-1-31.7-7, AS ADDED BY P.L.137-2020,  
2 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2026]: Sec. 7. As used in this chapter, "service enhancement  
4 improvement" means an expenditure that is either of the following:  
5 (1) Made, or to be made, by an eligible utility and related to:  
6 (A) direct or indirect compliance with one (1) or more  
7 requirements; or  
8 (B) installation of a new plant or equipment:  
9 (i) that is not a replacement plant or equipment; and  
10 (ii) that the commission determines is reasonable and  
11 appropriate to further health, safety, or environmental  
12 protection for the eligible utility's customers,

2026

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employees, or the public.

(2) ~~Replacement of a plant or equipment~~ **Any of the following that are made, or to be made, or incurred, or to be incurred,** to maintain existing health, safety, or environmental protection for the eligible utility's customers, employees, or the public:

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

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

(i) **Account 618; or**

(ii) **Account 718;**

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

(C) **Subject to section 9.1 of this chapter, power costs 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 2. 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)~~ **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 approves an eligible utility's plan under this section, or if approval is otherwise not required, the commission shall approve a rider authorizing timely recovery of the eligible utility's service enhancement improvement costs under section 12 of this chapter. The following apply to the utility's timely recovery:

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

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

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

SECTION 3. IC 8-1-31.7-9.1 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [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.

(b) Chemical costs described in section 7(2)(B) 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 chemicals 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 chemicals 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 chemicals over that period differs from the amount currently being collected for chemicals through the eligible utility's rates. However, if the average actual annual cost of chemicals 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 chemical costs under this section.

(2) If the eligible utility has determined that the average actual annual cost of chemicals 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 chemicals for the two (2) year period described in this subdivision, along with a comparison of that cost to the amount currently being collected for chemicals through the eligible utility's rates, as follows:

**STEP ONE:** Calculate the actual cost of chemicals 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 chemicals in each year of the two (2) year period.

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



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amount divided by two (2). This quotient is the average actual annual cost of chemicals 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 chemicals through the eligible utility's rates on an annual basis, as authorized in the commission's most recent base rate order for the eligible utility, and adjusted to reflect the change in volume from the volume level authorized in the commission's most recent base rate order. The authorized chemical costs in the commission's most recent base rate order shall be divided by the number of gallons projected to be sold in the commission's most recent base rate order to impute an original cost of chemicals per gallon of water sold per unit cost. This per unit cost shall be multiplied by the projected number of gallons of water to be sold by the eligible utility over the twelve (12) month period of the adjustment rider under section 12 of this chapter to impute an adjusted cost of chemicals from the most recent base rate case].

(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.

(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%)



1 over the course of the two (2) year period described in  
 2 subdivision (2);  
 3 the eligible utility may submit for the commission's review  
 4 supporting documentation of the average actual annual cost  
 5 of power for the two (2) year period described in subdivision  
 6 (2), as calculated under subdivision (2), along with  
 7 documentation of how the average annual cost of power over  
 8 that period differs from the amount currently being collected  
 9 for power through the eligible utility's rates. However, if the  
 10 average actual annual cost of power has not changed or has  
 11 increased or decreased by less than three percent (3%) over  
 12 the course of the two (2) year period described in subdivision  
 13 (2), an eligible utility may not seek an adjustment to the  
 14 eligible utility's recovery of power costs under this section.  
 15 (2) If the eligible utility has determined that the average  
 16 actual annual cost of power has increased or decreased by at  
 17 least three percent (3%) over the course of the two (2) year  
 18 period described in this subdivision, the eligible utility shall  
 19 include in its submission under this subsection a calculation  
 20 of the average actual annual cost of power for the two (2)  
 21 year period described in this subdivision, along with a  
 22 comparison of that cost to the amount currently being  
 23 collected for power through the eligible utility's rates, as  
 24 follows:  
 25 STEP ONE: Calculate the actual cost of power during  
 26 the two (2) year period immediately preceding the date  
 27 of the eligible utility's submission under this subsection  
 28 by adding together the actual annual cost of power in  
 29 each year of the two (2) year period.  
 30 STEP TWO: Calculate the quotient of the STEP ONE  
 31 amount divided by two (2). This quotient is the average  
 32 actual annual cost of power for the two (2) years  
 33 immediately preceding the eligible utility's submission  
 34 under this subsection.  
 35 STEP THREE: Calculate the difference between:  
 36 (i) the STEP TWO result; minus  
 37 (ii) the amount currently being collected for power  
 38 through the eligible utility's rates on an annual  
 39 basis[, as authorized in the commission's most  
 40 recent base rate order for the eligible utility, and  
 41 adjusted to reflect the change in volume from the  
 42 volume level authorized in the commission's most



recent base rate order. The authorized power costs in the commission's most recent base rate order shall be divided by the number of gallons projected to be sold in the commission's most recent base rate order to impute an original cost of power per gallon of water sold per unit cost. This per unit cost shall be multiplied by the projected number of gallons of water to be sold by the eligible utility over the twelve (12) month period of the adjustment rider under section 12 of this chapter to impute an adjusted cost of power from the most recent base rate case].

(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 4. IC 8-1-31.7-9.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 9.2. (a) This section applies to an eligible utility for which the commission has issued an order under section 12 of this chapter to approve an adjustment rider for the recovery of costs described in section 7(2)(B) or 7(2)(C) of this chapter, as calculated under section 9.1 of this chapter.

(b) An eligible utility to which this section applies shall file a petition for a change in its adjustment amount:

(1) not later than thirty (30) days after the end of each twelve (12) month period after the date on which the commission issued the order under section 12 of this chapter approving the adjustment rider; and

(2) until the commission issues an order in the eligible utility's next general rate case.

(c) Upon filing a petition with the commission under subsection (b), an eligible utility shall serve a copy of the petition on the office of utility consumer counselor.

(d) The commission shall hold a hearing and issue an order on the petition not later than sixty (60) days after the date the petition



1 is filed.

2 1 SECTION ~~4~~ [5]. IC 8-1-31.7-12, AS ADDED BY P.L.137-2020,  
3 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
4 JULY 1, 2026]: Sec. 12. (a) If the commission approves an eligible  
5 utility's plan under section 9 of this chapter, or if commission approval  
6 of the plan is otherwise not required, the eligible utility may file a  
7 petition to establish or adjust an adjustment rider to its rate schedules  
8 under this section so as to allow timely recovery of the eligible utility's  
9 service enhancement improvement costs. The following shall apply:

10 (1) The adjustment rider shall be calculated as a fixed charge  
11 based upon equivalent meter size.

12 (2) Publication of notice of the filing is not required.

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

16 (b) **Except as provided in subsection (i),** the adjustment rider  
17 shall provide for the timely recovery of eighty percent (80%) of the  
18 service enhancement improvement costs. The remaining twenty percent  
19 (20%) of the service enhancement improvement costs shall be deferred  
20 under section 9(f)(2) of this chapter.

21 (c) The commission shall conduct a hearing.

22 (d) The office of the utility consumer counselor may:

23 (1) examine information of the eligible utility to confirm:

24 (A) that the eligible additions are in accordance with  
25 sections 2 and 8 of this chapter, **as applicable;** and

26 (B) the proper calculation of the adjustment amount  
27 proposed under this section **or section 9.1 of this chapter,**  
28 **as applicable;** and

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

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

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

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

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

42 (2) Service enhancement improvement costs for which approval





of a plan is not required under this chapter.

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

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

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

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

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

SECTION 6. IC 8-1-31.7-18, AS ADDED BY P.L.137-2020, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 18. Except as provided in section 9.2 of this chapter, an eligible utility may, but is not required to, file a petition for a change in its initial adjustment amount not more than one (1) time in every twelve (12) months. Section 12 of this chapter applies to a petition to change an adjustment rider.]

