



January 17, 2014

HOUSE BILL No. 1132

DIGEST OF HB 1132 (Updated January 15, 2014 4:13 pm - DI 84)

Citations Affected: IC 8-1.

Synopsis: Infrastructure improvement costs. Provides that a public utility that provides water or wastewater service may petition the utility regulatory commission for an adjustment of its basic rates and charges to allow for recovery of eligible infrastructure improvement costs. (Current law provides that only a public utility that provides water service may apply for a distribution system improvement charge.) Requires a public utility to annually reconcile the difference between its utility rate improvement adjustment revenues and infrastructure improvement costs. Repeals definitions related to distribution system improvement charges. Makes conforming amendments.

Effective: July 1, 2014.

Friend, Koch, Battles

January 9, 2014, read first time and referred to Committee on Utilities and Energy.
January 16, 2014, reported — Do Pass.

HB 1132—LS 6323/DI 103



January 17, 2014

Second Regular Session 118th General Assembly (2014)

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 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

HOUSE BILL No. 1132

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 8-1-31-1.3 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2014]: **Sec. 1.3. As used in this chapter, "adjustment amount"**
4 **means the amount proposed in a petition filed under section 8 of**
5 **this chapter to allow the adjustment of a public utility's basic rates**
6 **and charges to provide for recovery of infrastructure improvement**
7 **costs.**

8 SECTION 2. IC 8-1-31-1.5 IS ADDED TO THE INDIANA CODE
9 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
10 1, 2014]: **Sec. 1.5. As used in this chapter, "adjustment revenues"**
11 **means revenues produced through an adjustment amount**
12 **approved under section 9 of this chapter exclusive of revenues**
13 **from all other rates and charges.**

14 SECTION 3. IC 8-1-31-2 IS REPEALED [EFFECTIVE JULY 1,
15 2014]. **Sec. 2. As used in this chapter, "DSIC" refers to distribution**
16 **system improvement charge.**

HB 1132—LS 6323/DI 103



1 SECTION 4. IC 8-1-31-3 IS REPEALED [EFFECTIVE JULY 1,
2 2014]. **Sec. 3. As used in this chapter, "DSIC costs" means depreciation**
3 **expenses and pretax return associated with eligible distribution system**
4 **improvements.**

5 SECTION 5. IC 8-1-31-4 IS REPEALED [EFFECTIVE JULY 1,
6 2014]. **Sec. 4. As used in this chapter, "DSIC revenues" means**
7 **revenues produced through a DSIC exclusive of revenues from all other**
8 **rates and charges.**

9 SECTION 6. IC 8-1-31-5 IS AMENDED TO READ AS FOLLOWS
10 [EFFECTIVE JULY 1, 2014]: **Sec. 5. As used in this chapter, "eligible**
11 **distribution system infrastructure improvements" means new used**
12 **and useful water or wastewater utility plant projects that:**

- 13 (1) do not increase revenues by connecting ~~the a~~ **a distribution or**
14 **collection** system to new customers;
- 15 (2) are in service; and
- 16 (3) were not included in the public utility's rate base in its most
17 recent general rate case.

18 SECTION 7. IC 8-1-31-5.5 IS ADDED TO THE INDIANA CODE
19 AS A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE JULY
20 1, 2014]: **Sec. 5.5. As used in this chapter, "infrastructure**
21 **improvement costs" means depreciation expenses and pretax**
22 **return associated with eligible infrastructure improvements.**

23 SECTION 8. IC 8-1-31-6 IS AMENDED TO READ AS FOLLOWS
24 [EFFECTIVE JULY 1, 2014]: **Sec. 6. As used in this chapter, "pretax**
25 **return" means the revenues necessary to:**

- 26 (1) produce net operating income equal to the public utility's
27 weighted cost of capital multiplied by the net original cost of
28 eligible distribution **or collection** system improvements; and
- 29 (2) pay state and federal income taxes applicable to such income.

30 SECTION 9. IC 8-1-31-8 IS AMENDED TO READ AS FOLLOWS
31 [EFFECTIVE JULY 1, 2014]: **Sec. 8. (a) Except as provided in**
32 **subsection (d), a public utility providing water or wastewater service**
33 **may file with the commission a petition setting forth rate schedules**
34 **establishing a DSIC an amount that will allow the automatic**
35 **adjustment of the public utility's basic rates and charges to provide for**
36 **recovery of DSIC infrastructure improvement costs.**

37 (b) The public utility shall serve the office of the utility consumer
38 counselor a copy of its filing at the time of its filing with the
39 commission.

40 (c) Publication of notice of the filing is not required.

41 (d) A public utility may not file a petition under this section in the
42 same calendar year in which the public utility has filed a request for a



1 general increase in the basic rates and charges of the public utility.

2 SECTION 10. IC 8-1-31-9 IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 9. (a) When a petition
4 is filed under section 8 of this chapter, the commission shall conduct
5 a hearing.

6 (b) The office of the utility consumer counselor may examine
7 information of the public utility to confirm that the ~~system~~
8 **infrastructure** improvements are in accordance with section 5 of this
9 chapter, to confirm proper calculation of the **adjustment amount**
10 proposed ~~charge, under section 8(a) of this chapter~~, and submit a
11 report to the commission not later than thirty (30) days after the
12 petition is filed.

13 (c) The commission shall hold the hearing and issue its order not
14 later than sixty (60) days after the petition is filed.

15 (d) If the commission finds that a ~~DSIC~~ petition **filed under section**
16 **8 of this chapter** complies with the requirements of this chapter, the
17 commission shall enter an order approving the petition.

18 SECTION 11. IC 8-1-31-10 IS AMENDED TO READ AS
19 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 10. (a) Except as
20 provided in subsection (b), a public utility may, but is not required to,
21 file a petition for a change in its ~~DSIC~~ **initial adjustment amount** not
22 more often than one (1) time every twelve (12) months.

23 (b) Except as provided in section 15 of this chapter, a public utility
24 may not file a petition ~~for a change in its DSIC described in~~
25 **subsection (a)** in the same calendar year in which the public utility has
26 filed a request for a general increase in the basic rates and charges of
27 the public utility.

28 SECTION 12. IC 8-1-31-13 IS AMENDED TO READ AS
29 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 13. The commission
30 may not approve a ~~DSIC~~ **petition filed under section 8 or 10 of this**
31 **chapter** to the extent it would produce total ~~DSIC~~ **adjustment**
32 revenues exceeding five percent (5%) of the public utility's base
33 revenue level approved by the commission in the public utility's most
34 recent general rate proceeding.

35 SECTION 13. IC 8-1-31-14 IS AMENDED TO READ AS
36 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 14. ~~The DSIC An~~
37 **adjustment amount proposed under section 8 of this chapter** may
38 be calculated based on a reasonable estimate of sales in the period in
39 which the charge will be in effect. At the end of each twelve (12)
40 month period ~~the charge is in effect~~, **following the date on which the**
41 **commission initially approves an adjustment amount for a public**
42 **utility following the public utility's most recent general rate case,**



1 and using procedures approved by the commission, the public utility
 2 shall reconcile the difference between ~~DSIC adjustment~~ revenues and
 3 ~~DSIC infrastructure improvement~~ costs during that period and
 4 recover or refund the difference, as appropriate, through ~~adjustment of~~
 5 ~~the charge:~~ **additional adjustments.**

6 SECTION 14. IC 8-1-31-15 IS AMENDED TO READ AS
 7 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 15. A public utility ~~that~~
 8 ~~has implemented a DSIC for which the commission has approved a~~
 9 **petition under section 8 or 10 of this chapter** shall file revised rate
 10 schedules resetting the ~~charge adjustment amount~~ if new basic rates
 11 and charges become effective for the public utility following a
 12 commission order authorizing a general increase in rates and charges
 13 that includes in the utility's rate base eligible ~~distribution system~~
 14 **infrastructure** improvements reflected in the ~~DSIC:~~ **adjustment**
 15 **amount.**

16 SECTION 15. IC 8-1-31-16 IS AMENDED TO READ AS
 17 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 16. For purposes of
 18 IC 8-1-2-42(a), the ~~filing of a DSIC and a change in a DSIC approval~~
 19 **of a petition filed under section 8 or 10 of this chapter** is not a
 20 general increase in basic rates and charges.

21 SECTION 16. IC 8-1-31-17 IS AMENDED TO READ AS
 22 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 17. The commission
 23 may adopt by rule under IC 4-22-2 or by order other procedures not
 24 inconsistent with this chapter that the commission finds reasonable or
 25 necessary to administer a ~~DSIC:~~ **this chapter.**



COMMITTEE REPORT

Mr. Speaker: Your Committee on Utilities and Energy, to which was referred House Bill 1132, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

(Reference is to HB 1132 as introduced.)

Committee Vote: Yeas 10, Nays 0

Representative Koch

