
SENATE BILL No. 490

DIGEST OF INTRODUCED BILL

Citations Affected: IC 8-1-31; IC 8-1-32.

Synopsis: Water utilities. Allows a public water utility an increase in its rates to recover the costs of improvements to its distribution system under certain circumstances. Authorizes a health agency and the Indiana utility regulatory commission to order a local water utility to extend service to an area within a municipality served by private wells if the health agency finds that: (1) the area suffers from a health hazard due to the presence of at least one contaminant; and (2) the area lies in at least one census tract or block having a median household income of less than 200% of the most recently determined federal income poverty level.

Effective: July 1, 2000.

Mills

January 10, 2000, read first time and referred to Committee on Commerce and Consumer Affairs.

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Second Regular Session 111th General Assembly (2000)

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 1999 General Assembly.

SENATE BILL No. 490



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 IS ADDED TO THE INDIANA CODE AS
2 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2000]:

4 **Chapter 31. Distribution System Improvement Charges**

5 **Sec. 1. The definitions in IC 8-1-2-1 apply throughout this**
6 **chapter.**

7 **Sec. 2. As used in this chapter, "DSIC" refers to distribution**
8 **system improvement charge.**

9 **Sec. 3. As used in this chapter, "DSIC costs" means depreciation**
10 **expenses and pretax return associated with eligible system**
11 **improvements.**

12 **Sec. 4. As used in this chapter, "DSIC revenues" means**
13 **revenues produced through a DSIC exclusive of revenues from all**
14 **other rates and charges.**

15 **Sec. 5. As used in this chapter, "eligible system improvements"**
16 **means new used and useful water utility plant projects that:**

- 17 (1) do not increase revenues by connecting the distribution



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1 system to new customers;
 2 (2) are in service; and
 3 (3) were not included in the public utility's rate base in its
 4 most recent general rate case.

5 **Sec. 6.** As used in this chapter, "pretax return" means the
 6 revenues necessary to:

- 7 (1) produce net operating income equal to the public utility's
 8 weighted cost of capital multiplied by the net original cost of
 9 eligible system improvements; and
 10 (2) pay state and federal income taxes applicable to such
 11 income.

12 **Sec. 7. (a)** A public utility providing water service may file with
 13 the commission rate schedules establishing a DSIC that will allow
 14 the automatic adjustment of the public utility's basic rates and
 15 charges to provide for recovery of DSIC costs.

16 (b) The public utility shall serve the office of the utility
 17 consumer counselor a copy of its filing at the time of its filing with
 18 the commission.

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

20 **Sec. 8. (a)** When a petition is filed under section 7 of this
 21 chapter, the commission shall conduct a summary hearing.

22 (b) The office of the utility consumer counselor may examine
 23 information of the public utility to confirm proper calculation of
 24 the proposed charge and submit a report to the commission not
 25 later than thirty (30) days after the petition is filed.

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

28 (d) The commission shall enter an order approving a DSIC that
 29 complies with this chapter.

30 **Sec. 9.** A public utility may, but is not required to, file a petition
 31 for a change in its DSIC not more often than one (1) time every
 32 three (3) months.

33 **Sec. 10.** Pretax return shall be calculated using the following:

- 34 (1) The current state and federal income tax rates.
 35 (2) The public utility's actual capital structure.
 36 (3) The actual cost rates for the public utility's long term debt
 37 and preferred stock.
 38 (4) The public utility's cost of common equity.
 39 (5) Other components that the commission considers
 40 appropriate.

41 **Sec. 11.** The cost of common equity to be used in the calculation
 42 of the charge shall be the most recent determination by the

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1 commission in a general rate proceeding of the public utility. If the
 2 commission finds that the last such determination is no longer
 3 representative of current conditions, the commission may make a
 4 new determination of the common equity cost rate for use in
 5 determining the charge, after notice and hearing. The most recent
 6 prior determination shall be used pending any redetermination.

7 **Sec. 12.** The commission may not approve a DSIC to the extent
 8 it would produce total DSIC revenues exceeding five percent (5%)
 9 of the public utility's revenues from providing water utility service.

10 **Sec. 13.** The DSIC may be calculated based on a reasonable
 11 estimate of sales in the period in which the charge will be in effect.
 12 At the end of each twelve (12) month period the charge is in effect,
 13 and using procedures approved by the commission, the public
 14 utility shall reconcile the difference between DSIC revenues and
 15 DSIC costs during that period and recover or refund the
 16 difference, as appropriate, through adjustment of the charge.

17 **Sec. 14.** A public utility that has implemented a DSIC under this
 18 chapter shall file revised rate schedules resetting the charge if new
 19 basic rates and charges become effective for the public utility
 20 following a commission order authorizing a general increase in
 21 rates and charges that includes in the utility's rate base eligible
 22 distribution system improvements reflected in the DSIC.

23 **Sec. 15.** For purposes of IC 8-1-2-42(a), the filing of a DSIC and
 24 a change in a DSIC is not a general increase in basic rates and
 25 charges.

26 **Sec. 16.** The commission may adopt by order or rule other
 27 procedures not inconsistent with this section that the commission
 28 finds reasonable or necessary to administer a DSIC.

29 SECTION 2. IC 8-1-32 IS ADDED TO THE INDIANA CODE AS
 30 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
 31 1, 2000]:

32 **Chapter 32. Water Wells**

33 **Sec. 1.** The definitions in IC 8-1-2-1 apply throughout this
 34 chapter.

35 **Sec. 2.** As used in this chapter, "health agency" refers to either
 36 of the following:

37 (1) The state department of health.

38 (2) A local health department (as defined in IC 16-18-2-211).

39 **Sec. 3.** As used in this chapter, "project" refers to the extension
 40 of water utility service to a subject area.

41 **Sec. 4.** As used in this chapter, "subject area" refers to an area
 42 described in section 5 of this chapter.



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1 **Sec. 5. (a) Notwithstanding IC 8-1-2-103(a), if a health agency**
 2 **determines that an area located within a municipality:**

- 3 (1) is served by private water wells;
 4 (2) suffers from a health hazard due to the presence of at least
 5 one (1) contaminant; and
 6 (3) incorporates at least a portion of at least one (1) census
 7 track or block having a median household income of less than
 8 two hundred percent (200%) of the most recently determined
 9 federal income poverty level;

10 **the health agency may direct the nearest public utility that is**
 11 **authorized to provide water utility service within the municipality**
 12 **to prepare and provide to the commission an estimate of the cost**
 13 **of extending water utility service to the subject area.**

14 **(b) The costs estimated under subsection (a) may include the**
 15 **following:**

- 16 (1) Installing the mains and connecting service lines on
 17 properties within the subject area.
 18 (2) Abandoning and plugging existing wells in accordance
 19 with IC 25-39-2-14 and rules adopted under IC 25-39 on
 20 properties within the subject area.
 21 (3) Restoration of areas disturbed by the project.
 22 (4) Other reasonable costs of extending water utility service
 23 to the subject area.

24 **Sec. 6. If the commission approves the project, the commission**
 25 **shall, at the request of the health agency, direct the local public**
 26 **utility to undertake and complete the project. The commission shall**
 27 **enter such an order only if both of the following apply:**

28 (1) The commission's order authorizes an increase in the local
 29 public utility's water rates in an amount sufficient to cover the
 30 local public utility's depreciation expense related to its
 31 investment in the project and provide the local public utility
 32 an after-tax return on the undepreciated portion of the
 33 project at a rate not less than the rate of return allowed the
 34 local public utility on its rate base in its most recent general
 35 rate order as:

- 36 (A) set out in the order; or
 37 (B) stipulated by the local public utility and the office of
 38 the utility consumer counselor.

39 (2) The rate adjustment associated with the project will not
 40 increase the local public utility's rates by more than one
 41 percent (1%).

42 **Sec. 7. A rate adjustment authorized under section 6 of this**

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1 chapter must be reflected in an amended rate schedule filed with
 2 the commission not later than thirty (30) days after the commission
 3 enters the order, effective upon completion of the project.

4 **Sec. 8. A rate adjustment authorized under section 6 of this**
 5 **chapter:**

6 (1) is not considered as a general increase in the local public
 7 utility's basic rates and charges for purposes of
 8 IC 8-1-2-42(a); and

9 (2) may be further adjusted by the commission to reflect
 10 actual project costs upon petition by the local public utility or
 11 the office of the utility consumer counselor.

12 **Sec. 9. If the commission orders a project under this chapter,**
 13 **the health agency shall require owners of properties in the subject**
 14 **area to connect those properties to a project main and to abandon**
 15 **and plug their existing wells in accordance with IC 25-39-2-14 and**
 16 **rules adopted under IC 25-39.**

17 **Sec. 10. (a) Upon completion of a project, the local public utility**
 18 **shall be responsible for operating and maintaining;**

19 (1) the mains installed; and

20 (2) any portion of the connecting service lines that are located
 21 in a public right-of-way.

22 (b) Upon completion of a project, each property owner shall be
 23 responsible for maintaining, repairing, and replacing, if necessary,
 24 the portion of the service line on the property served that is not
 25 required to be serviced by the local public utility under subsection
 26 (a).

27 **Sec. 11. This chapter does not reduce or supersede the**
 28 **commission's jurisdiction under IC 8-1-2-86 and IC 8-1-2-86.5.**

29 **SECTION 3. [EFFECTIVE JULY 1, 2000] (a) If both of the**
 30 **following apply, a local water utility may, but is not required to,**
 31 **adjust its rates under IC 8-1-32, as added by this act, upon**
 32 **approval by the Indiana utility regulatory commission:**

33 (1) The local water utility has undertaken a project requested
 34 by a municipal council and confirmed by an appropriate
 35 health agency under P.L.221-1997, SECTION 2, before July
 36 1, 2000.

37 (2) The local water utility has not adjusted its rates as
 38 permitted by P.L.221-1997, SECTION 2.

39 (b) This SECTION expires July 1, 2001.

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