

HOUSE BILL No. 1417

DIGEST OF INTRODUCED BILL

Citations Affected: IC 8-1.

Synopsis: Utility deferred costs and accounting practices. Amends the Indiana Code provision concerning a system of accounting for public utilities to provide the following: (1) That a public utility, municipally owned utility, or not-for-profit utility may defer for future recovery costs incurred or to be incurred in a regulatory asset, as long as the costs are reasonable. (2) That preapproval of the Indiana utility regulatory commission (IURC) is not required for the creation of a regulatory asset. (3) That a public utility, municipally owned utility, or not-for-profit utility shall recover through the utility's rates over a reasonable period costs that are: (A) deferred under these provisions; and (B) found to be reasonable and prudent by the IURC. Amends the Indiana Code provision concerning a public utility's depreciation account and depreciation rates to provide the following: (1) That depreciation rates shall be calculated to recover a reasonable estimate of the future cost of removing retired assets of the public utility. (2) That a public utility may account for any asset retirement obligations and recover, through rates charged to customers, reasonably incurred costs associated with asset retirement obligations, to the extent the asset retirement obligation costs have not been included in depreciation rates. (3) That the IURC shall make changes in a public utility's depreciation rates as necessary to reflect changes in: (A) the public utility's estimated asset retirement costs, including costs of removing retired assets; and (B) the estimated retirement dates of the public utility's assets. Amends the Indiana Code chapter concerning federally mandated requirements for energy utilities to specify that recovery of the 80% of IURC-approved federally mandated costs that an energy
(Continued next page)

Effective: July 1, 2023.

Soliday

January 17, 2023, read first time and referred to Committee on Utilities, Energy and Telecommunications.



Digest Continued

utility may recover through a rate adjustment mechanism must commence no earlier than: (A) the date of a final agency action regarding the federally mandated requirement; or (B) in the absence of a final agency action, the date on which the federally mandated requirement becomes effective.



Introduced

First Regular Session of the 123rd General Assembly (2023)

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 2022 Regular Session of the General Assembly.

HOUSE BILL No. 1417

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 8-1-2-10 IS AMENDED TO READ AS FOLLOWS
2 [EFFECTIVE JULY 1, 2023]: Sec. 10. **(a)** Every public utility shall
3 keep and render to the commission, in the manner and form prescribed
4 by the commission, uniform accounts of all business transacted. In
5 formulating a system of accounting for any class of public utilities, the
6 commission shall consider any system of accounting established by any
7 federal law, commission, or department and any system authorized by
8 a national association of such utilities.
9 **(b) A public utility, municipally owned utility, or not-for-profit**
10 **utility, including any utility owned, operated, or held in trust by a**
11 **consolidated city, may defer for future recovery costs incurred or**
12 **to be incurred in a regulatory asset consistent with the accounting**
13 **rules that concern the recognition of regulatory assets and that are**
14 **in effect at the time the deferral decision is made by the utility,**
15 **including any of the following costs, as long as the costs are**



1 reasonable:

- 2 (1) Financing costs.
 3 (2) Depreciation expenses.
 4 (3) Asset retirement obligations.
 5 (4) Operation and maintenance costs.
 6 (5) Capital costs.
 7 (6) Tax costs.
 8 (7) Tax credits.
 9 (8) Costs incurred in planning, seeking approval of, or
 10 implementing projects authorized by a:
- 11 (A) certificate of public convenience and necessity;
 12 (B) federally mandated compliance project; or
 13 (C) transmission, distribution, and storage system plan
 14 approved by the commission under IC 8-1-39.
- 15 (c) Commission preapproval for the creation of a regulatory
 16 asset is not required.
- 17 (d) Notwithstanding section 68 of this chapter or any other
 18 provision of this title, a utility described in subsection (b) shall
 19 recover through the utility's rates over a reasonable period costs
 20 that are:

- 21 (1) deferred under this section; and
 22 (2) found to be reasonable and prudent by the commission.

23 SECTION 2. IC 8-1-2-19 IS AMENDED TO READ AS FOLLOWS
 24 [EFFECTIVE JULY 1, 2023]: Sec. 19. (a) Every public utility shall
 25 carry a separate, proper and adequate depreciation account whenever
 26 the commission, after investigation, shall determine that such
 27 depreciation account reasonably can be required.

28 (b) The commission, from time to time, shall ascertain and
 29 determine the proper and adequate rates of depreciation of the several
 30 classes of property of each public utility. **The Depreciation rates
 31 under this subsection shall be calculated to recover a reasonable
 32 estimate of the future cost of removing retired assets of the public
 33 utility.**

34 (c) **A public utility's** rates, tolls and charges shall be such as will
 35 provide the amounts required over and above the reasonable and
 36 necessary operating expenses, to maintain such property in an
 37 operating state of efficiency corresponding to the progress of the
 38 industry. **A public utility may account for any asset retirement
 39 obligations and recover, through rates charged to customers,
 40 reasonably incurred costs associated with asset retirement
 41 obligations, to the extent the asset retirement obligation costs have
 42 not been included in depreciation rates.** Each public utility shall



1 conform its depreciation accounts to ~~such~~ the rates so ascertained and
 2 determined by the commission.

3 **(d)** The commission shall make changes in ~~such~~ a public utility's
 4 rates of depreciation, from time to time, as it may find the commission
 5 finds necessary, **including as necessary to reflect changes in:**

6 **(1) the public utility's estimated asset retirement costs,**
 7 **including all costs of removing retired assets; and**

8 **(2) the estimated retirement dates of assets of the public**
 9 **utility.**

10 SECTION 3. IC 8-1-8.4-7, AS ADDED BY P.L.150-2011,
 11 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 12 JULY 1, 2023]: Sec. 7. (a) As a condition for receiving the certificate
 13 required under section 6 of this chapter, an energy utility must file with
 14 the commission an application that sets forth the information described
 15 in section 6(b) of this chapter, supported with technical information in
 16 as much detail as the commission requires.

17 (b) The commission shall hold a properly noticed public hearing on
 18 each application and grant a certificate only if the commission has:

19 (1) made a finding that the public convenience and necessity will
 20 be served by the proposed compliance project;

21 (2) approved the projected federally mandated costs associated
 22 with the proposed compliance project; and

23 (3) made a finding on each of the factors set forth in section 6(b)
 24 of this chapter.

25 (c) If the commission approves under subsection (b) a proposed
 26 compliance project and the projected federally mandated costs
 27 associated with the proposed compliance project, the following apply:

28 (1) Eighty percent (80%) of the approved federally mandated
 29 costs shall be recovered by the energy utility through a periodic
 30 retail rate adjustment mechanism that allows the timely recovery
 31 of the approved federally mandated costs, **with recovery**
 32 **commencing no earlier than:**

33 **(A) the date of a final agency action regarding the federally**
 34 **mandated requirement; or**

35 **(B) in the absence of a final agency action, the date on**
 36 **which the federally mandated requirement becomes**
 37 **effective.**

38 The commission shall adjust the energy utility's authorized net
 39 operating income to reflect any approved earnings for purposes of
 40 IC 8-1-2-42(d)(3) and IC 8-1-2-42(g)(3).

41 (2) Twenty percent (20%) of the approved federally mandated
 42 costs, including depreciation, allowance for funds used during



1 construction, and post in service carrying costs, based on the
2 overall cost of capital most recently approved by the commission,
3 shall be deferred and recovered by the energy utility as part of the
4 next general rate case filed by the energy utility with the
5 commission.
6 (3) Actual costs that exceed the projected federally mandated
7 costs of the approved compliance project by more than
8 twenty-five percent (25%) shall require specific justification by
9 the energy utility and specific approval by the commission before
10 being authorized in the next general rate case filed by the energy
11 utility with the commission.

