

# Modernizing Utility Systems

## Transmission, Distribution, Storage Improvement Charge (TDSIC)

In 2013, the Indiana General Assembly passed SEA 560 to encourage modernizing utility systems and improve their aging transmission and distribution systems. The law also had as its goal the promotion of economic development. Lawmakers approved it with large bipartisan majorities and then-Governor Mike Pence signed it into law.

The law (Indiana Code 8-1-39) encourages utility investment by providing timely cost recovery of costs to upgrade and modernize existing infrastructure to support safety, reliability and economic growth statewide, including in underserved areas. This approach provides benefits to customers by enhancing reliability in a way that keeps costs down by reducing the costs of borrowing money.

The law was updated in 2019 by the General Assembly (HEA 1470) to ensure the original intent of SEA 560 – the establishment of a realistic, flexible, and adaptive utility transmission and distribution planning and investment process – was clear. For example, the 2019 changes clarified that economic development projects included in a utility's TDSIC plan apply to both gas and electric projects. Additionally, the revised law allowed the inclusion of projects involving new or advanced technology investments that support electric grid and natural gas system modernization (e.g. smart meters, battery storage, etc.).

In sum, the TDSIC law (Indiana Code 8-1-39) encourages utility investment by providing timely cost recovery of costs to upgrade and modernize existing



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The TDSIC statute contemplates two distinct types of proceedings:

1. Utility may seek regulatory approval of a multi-year plan for designated improvements to transmission, distribution, and storage systems.
2. Once the IURC has approved a plan, the utility may petition every few months for periodic rate adjustments to recover 80% of approved capital investment and TDSIC costs for the system improvements designated as eligible and completed. The remaining 20% can be recovered only “as part of the next general rate case” that the public utility files with the IURC. Before a utility may recover additional costs above approved estimates, it must specifically justify the additional costs, and the IURC must specifically approve them.

TDSIC rate increases are limited to no more than 2% of a utility’s total annual retail revenues.