



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1436

PRINTERS NO. 2690

PRIME SPONSOR: Godshall

### COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
General Fund	\$0	\$0

**SUMMARY:** House Bill 1436, Printer's Number 2690, amends Title 66 to establish requirements for calculating the amount of income tax expenses a utility may include in utility rates.

**ANALYSIS:** This bill amends Title 66 (Public Utilities) to add a new section to Chapter 13 establishing requirements to calculate income tax expenses for ratemaking purposes. It states that income tax expenses shall be calculated based upon income tax deductions and credits that are related to expenses and investments of a utility that are permitted to be included in rates. If an expense is not permitted to be included in utility rates (i.e. expenses incurred by an affiliate) then the related income tax credits and deductions shall not be included in the computation of income tax expense for ratemaking purposes. The deferred income taxes used to determine the ratemaking rate base of a utility shall be based solely on the tax deductions and credits of the utility and not include any deductions or credits based upon the expenses or investments made by a utility's parent or any affiliated entity.

A utility must use any difference between its tax expense calculated under the consolidated tax adjustment method and the stand alone method as follows: 50% to support distribution system reliability and infrastructure related to rate-base eligible capital investment, as determined by the PUC; and 50% for general corporate purposes. This provision expires on December 31, 2025 and shall apply to all cases where the final order is issued after the effective date.

This legislation would take effect in 60 days upon enactment.

**FISCAL IMPACT:** Enactment of this legislation will have no adverse impact on Commonwealth funds.

**PREPARED BY:** Jeffrey Clukey  
House Appropriations Committee (R)

**DATE:** February 8, 2016

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*