

PUBLIC UTILITY CODE (66 PA.C.S.) - COMPUTATION OF INCOME TAX  
EXPENSE FOR RATEMAKING PURPOSES

Act of Jun. 12, 2016, P.L. 332, No. 40

Cl. 66

Session of 2016

No. 2016-40

HB 1436

AN ACT

Amending Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes, in rates and distribution systems, providing for computation of income tax expense for ratemaking purposes.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Title 66 of the Pennsylvania Consolidated Statutes is amended by adding a section to read:

**§ 1301.1. Computation of income tax expense for ratemaking purposes.**

(a) **Computation.**--If an expense or investment is allowed to be included in a public utility's rates for ratemaking purposes, the related income tax deductions and credits shall also be included in the computation of current or deferred income tax expense to reduce rates. If an expense or investment is not allowed to be included in a public utility's rates, the related income tax deductions and credits, including tax losses of the public utility's parent or affiliated companies, shall not be included in the computation of income tax expense to reduce rates. The deferred income taxes used to determine the rate base of a public utility for ratemaking purposes shall be based solely on the tax deductions and credits received by the public utility and shall not include any deductions or credits generated by the expenses or investments of a public utility's parent or any affiliated entity. The income tax expense shall be computed using the applicable statutory income tax rates.

(b) **Revenue use.**--If a differential accrues to a public utility resulting from applying the ratemaking methods employed by the commission prior to the effective date of subsection (a) for ratemaking purposes, the differential shall be used as follows:

(1) fifty percent to support reliability or infrastructure related to the rate-base eligible capital investment as determined by the commission; and

(2) fifty percent for general corporate purposes.

(c) **Application.**--The following shall apply:

(1) Subsection (b) shall no longer apply after December 31, 2025.

(2) This section shall apply to all cases where the final order is entered after the effective date of this section.

Section 2. This act shall take effect in 60 days.

Office of the Secretary of the Commonwealth

Harrisburg, June 14, 2016

I, Pedro A. Cortés, Secretary of the Commonwealth of Pennsylvania,

DO HEREBY CERTIFY, That the attached act, Act 40, which became law without the Governor's signature on June 13, of 2016, A.D. is a true and correct copy and appears of record and remains on file in this office.

PEDRO A. CORTÉS  
Secretary of the Commonwealth