

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1436 Session of 2015

INTRODUCED BY GODSHALL, KOTIK, SAINATO, KILLION, SACCONI, DUNBAR, QUIGLEY, MARSHALL, GROVE, HARHAI, LONGIETTI, KORTZ, PICKETT, BARBIN, EVANKOVICH, COHEN, GIBBONS, EVERETT, SCHLOSSBERG, KAUFFMAN, BURNS, MUSTIO, P. DALEY, SCHWEYER, DeLUCA AND FARRY, JULY 6, 2015

AS REPORTED FROM COMMITTEE ON CONSUMER AFFAIRS, HOUSE OF REPRESENTATIVES, AS AMENDED, DECEMBER 19, 2015

AN ACT

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

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

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

9 § 1301.1. Computation of income tax expense for ratemaking
10 purposes.

11 (A) COMPUTATION.--If an expense or investment is allowed to <--
12 be included in a public utility's rates for ratemaking purposes,
13 the related income tax deductions and credits shall also be
14 included in the computation of current or deferred income tax
15 expense to reduce rates. If an expense or investment is not
16 allowed to be included in a public utility's rates, the related
17 income tax deductions and credits, including tax losses of the

1 public utility's parent or affiliated companies, shall not be
2 included in the computation of income tax expense to reduce
3 rates. The deferred income taxes used to determine the rate base
4 of a public utility for ratemaking purposes shall be based
5 solely on the tax deductions and credits received by the public
6 utility and shall not include any deductions or credits
7 generated by the expenses or investments of a public utility's
8 parent or any affiliated entity. The income tax expense shall be
9 computed using the applicable statutory income tax rates.

10 (B) REVENUE USE.--IF A DIFFERENTIAL ACCRUES TO A PUBLIC <--
11 UTILITY RESULTING FROM APPLYING THE RATEMAKING METHODS EMPLOYED
12 BY THE COMMISSION PRIOR TO THE EFFECTIVE DATE OF SUBSECTION (A)
13 FOR RATEMAKING PURPOSES, THE DIFFERENTIAL SHALL BE USED AS
14 FOLLOWS:

15 (1) FIFTY PERCENT TO SUPPORT RELIABILITY OR
16 INFRASTRUCTURE RELATED TO THE RATE-BASE ELIGIBLE CAPITAL
17 INVESTMENT AS DETERMINED BY THE COMMISSION; AND

18 (2) FIFTY PERCENT FOR GENERAL CORPORATE PURPOSES.

19 (C) APPLICATION.--THE FOLLOWING SHALL APPLY:

20 (1) SUBSECTION (B) SHALL NO LONGER APPLY AFTER DECEMBER
21 31, 2025.

22 (2) THIS SECTION SHALL APPLY TO ALL CASES WHERE THE
23 FINAL ORDER IS ENTERED AFTER THE EFFECTIVE DATE OF THIS
24 SECTION.

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