

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. House Bill 1436

PRINTER NO. 2690

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

April 6, 2016

PRIME SPONSOR

Representative Godshall

DESCRIPTION AND PURPOSE OF BILL

House Bill 1436 amends the Public Utility Code (Title 66) to provide for the computation of income tax expense for ratemaking purposes.

House Bill 1436 adds a section to Chapter 13 of the Public Utilities Code to establish requirements for calculating the amount of income tax expense that may be included in utility rates.

The legislation prevents ratepayers from being affected when a public utility company files consolidated federal income tax returns with its parent company. Any gains or losses realized by the parent company or its subsidiaries, other than the public utility company, may not be used for the benefit of or made up by the public utility's ratepayers.

This calculation shall only be applied when the public utility seeks a change in rates. However, until the ratemaking changes goes into effect, any revenue generated from the joint tax returns by the public utility shall be retained by the public utility. Fifty percent of any revenues accruing from this change must be used for reliability and infrastructure needs of PUC determined eligible capital investments and the other fifty percent may be retained for general corporate purposes, with this provision applying only until December 31, 2025.

FISCAL IMPACT:

House Bill 1436 will have no adverse impact on Commonwealth funds.