



# HOUSE BILL 351: Clarify Utility Rates

**This Bill Analysis  
reflects the contents  
of the bill as it was  
presented in  
committee.**

2015-2016 General Assembly

<b>Committee:</b>	House Serial Referral To Finance Added	<b>Date:</b>	April 1, 2015
<b>Introduced by:</b>	Reps. Arp, Collins, Warren	<b>Prepared by:</b>	Heather Fennell Committee Counsel
<b>Analysis of:</b>	PCS to First Edition H351-CSTD-9		

**SUMMARY:** House Bill 351 would clarify that it was the intent of the General Assembly to require the Utilities Commission to adjust utility rates to reflect the reduction in the corporate income tax rates enacted by S.L. 2013-316.

The PCS clarifies that the interest imposed on refunds does not apply to refunds implemented on or before January 1, 2015.

**CURRENT LAW:** The Tax Reduction Act, S.L. 2013-316, included electricity and piped natural gas in the State sales tax base while repealing the utility franchise tax on electricity and the excise tax on piped natural gas. Section 4.2(a) of the Act directed the Utilities Commission to adjust the rates of electricity and piped natural gas to reflect the repeal of the utility franchise tax and the excise tax on piped natural gas. The Act also reduced the corporate income tax rate. However, the Act did not direct the Utilities Commission to take any action on utility rates related to the reduction in corporate income tax rates.

In May of 2014 the Commission took its first action related to the Act. The Commission issued an order directing utilities to adjust rates to reflect the repeal of the utility franchise tax, the repeal of the excise tax on piped natural gas, and the reduction in the corporate income tax rate. Dominion Power and PSNC Energy both appealed this order, on the grounds that the Act did not direct the Commission to take action related to the reduction in the corporate income tax rate.

In October of 2014 the Commission reversed its first order. The Commission authorized the utilities not to reduce their rates related to the changes in the corporate income tax rate, and allowed any utility that had reduced rates for this reason to recover those funds from customers.

No utility has taken this step of seeking to recover these funds from customers. Except for Dominion Power, all of the retail electric and piped natural gas utilities are passing on the savings from the reduction in the corporate income tax rates to their customers.

**BILL ANALYSIS:** House Bill 351 would clarify the intent of the General Assembly regarding the impact of the Act on utility rates. The bill would direct the Commission to adjust utility rates to reflect the reduction in the corporate income tax rate and would also direct the Commission to impose interest on any refunds issued to utility customers as a result of reduction in the corporate income tax rate.

**EFFECTIVE DATE:** The act is effective January 1, 2014, and applies to refunds issued on or after that date.

