

STATE OF CALIFORNIA

Public Utilities Commission  
San Francisco

**M e m o r a n d u m**

**Date:** August 12, 2015

**To:** The Commission  
(Meeting of August 13, 2015)

**From:** Lynn Sadler, Director  
Office of Governmental Affairs (OGA) – Sacramento

**Subject:** **SB 681 (Hill) – Corporation taxes: deduction: public utilities.  
As amended: July 16, 2015**

**RECOMMENDED POSITION:** SUPPORT

**SUMMARY OF BILL**

This bill would prohibit a deduction under the Corporation Tax Law for expenses or expenditures by Pacific Gas and Electric Company that the California Public Utilities Commission (CPUC) identified in the San Bruno penalty decision relative to the operation of Pacific Gas and Electric Company’s natural gas transmission system pipelines.

**AUTHOR’S PURPOSE**

The author states—“This bill clarifies that the penalty levied against Pacific Gas and Electric Company for the San Bruno pipeline explosion is not a tax deductible expense, prohibiting the utility from withholding \$115 million from state coffers.”

**DIVISION ANALYSIS**

Please see the attached April 30, 2015 letter outlining the views of the four signed commissioners, and consistent with support of SB 681 (Hill), on this topic.

**STATUS**

SB 681 (Hill) is set for hearing on August 17, 2015 in the Senate Appropriations Committee.

**VOTES**

Sen Governance & Finance (4-2, 1 not voting).

## STAFF CONTACTS

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## **BILL LANGUAGE**

SB 681 (Hill) Today's Law As Amended by the July 16, 2015 version.

### **SECTION 1.**

*Section 24446 is added to the Revenue and Taxation Code, to read:*

#### **24446.**

*(a) No deduction shall be allowed for any amount paid or incurred by Pacific Gas and Electric Company for expenses or expenditures identified by the Public Utilities Commission in Decision 15-04-024 (April 9, 2015), "Decision on Fines and Remedies to be Imposed on Pacific Gas and Electric Company for Specific Violations in Connection with the Operation and Practices of its Natural Gas Transmission System Pipelines," relating to any of the following:*

*(1) Up to eight hundred fifty million dollars (\$850,000,000) in future gas infrastructure improvements related to transmission pipeline safety to be paid for by Pacific Gas and Electric Company shareholders.*

*(2) Four hundred million dollars (\$400,000,000) in bill credits for the gas ratepayers of Pacific Gas and Electric Company.*

*(3) Approximately fifty million dollars (\$50,000,000) to implement 75 remedies, including, but not limited to, implementation of pipeline safety remedies and reimbursement of the Public Utilities Commission for its costs incurred in investigating and enforcing violations of law relating to the public safety by Pacific Gas and Electric Company.*

*(b) For any taxable year for which expenses or expenditures identified in subdivision (a) are paid or incurred, Pacific Gas and Electric Company shall provide with the return, for that taxable year, a certification, under penalty of perjury, that none of those expenses or expenditures were taken into account, directly or indirectly, in determining the amount of income of Pacific Gas and Electric Company, or any other related taxpayer, that is subject to tax under this part, for that taxable year.*

### **SEC. 2.**

*No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.*

### **SEC. 3.**

*This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:  
In order for the provisions of this act to be applicable to the current tax year and to better ensure the effectiveness of decisions of the Public Utilities Commission protecting the public safety, it is necessary that this act take effect immediately.*