

Q.19. Explain how the Federal corporate graduated tax rates have been reflected for rate case purposes. If the Pennsylvania jurisdictional utility is part of a multi-corporate system, explain how the tax savings are allocated to each member of the system.

A.19. The Federal corporate graduated tax rates do not apply to the consolidated group because taxable income exceeds the graduated income limitations.

Tax savings are computed and allocated between the parent corporation and affiliates. PPL Corporation, the parent of the affiliated group, allocates federal income tax based upon the taxable income of each member included in the consolidated return. PPL Corporation allocates Foreign tax credits to those members that generated the credits in proportion to the amount of credits they could have used on an unconsolidated basis. PPL Corporation allocates other credits to the members that generated the credits in proportion to the amount of credits such members generated on a separate return basis.