

**PACIFIC GAS AND ELECTRIC COMPANY  
General Rate Case 2011 Phase I  
Division of Ratepayer Advocates  
Data Response**

PG&E Data Request No.:	DRA_071-01		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_071-Q01-Supp02		
Request Date:	November 10, 2009	Requester DR No.:	DRA-071-MRK
Date Sent:	April 27, 2010	Requesting Party:	DRA
PG&E Witness:	Redacted	Requester:	Marek Kanter

**SUBJECT: ESOP**

**QUESTION 1**

Is the error regarding the amount of annual ESOP dividend in the years 2005-2008 an error in the taxes actually paid by PG&E, or is it an error in the deductions reported to the PUC in the years 2005 to 2008. What are the tax implications of this error?

**ANSWER 1 – SUPPLEMENTAL 2**

The error is the amount of the ESOP deduction taken on the original tax returns, and will eventually result in additional tax payments.

PG&E is currently under audit with the IRS for the 2005-2007 tax years and a participant in the Compliance Assurance Program (CAP) for 2008. PG&E has submitted the adjusted 2005-2008 ESOP tax deduction amounts to the IRS and they will be incorporated into the final 2005-2007 and 2008 audit reports respectively.

PG&E reported the corrected ESOP dividend amounts for the years 2005-2008 to the CPUC in data response GRC2011-Ph-1\_DR\_DRA071-Q01Supp01.