

Appendix A

Pacific Gas & Electric Company

Estimated Impact of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

April 8, 2011

\$ In Millions, all amounts are preliminary and subject to material changes.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1 Estimated Qualifying Capital Additions <sup>A</sup>				
2 GRC	770	1,879	1,935	
3 Gas Transmission	146	211	227	
4 Estimated Capital Additions Qualifying for Bonus Treatment	915	2,089	2,162	
5 Incremental Tax Depreciation	50%	100%	50%	
6 Federal Income Tax Rate	35%	35%	35%	
7 Incremental Deferred Taxes on Current Year Additions <sup>B</sup>	154	691	298	
8 Cumulative Weighted Average Deferred Tax Liability <sup>C</sup>		(442)	(969)	(1,108)
9 Less: Net Operating Loss Offset <sup>D</sup>		67	94	-
10 Less: Working Cash Adjustment <sup>E</sup>		191	90	(27)
11 = Net Change In Rate Base		(183)	(785)	(1,133)
12 x Pre-Tax Return on Rate Base		12.92%	12.92%	12.92%
13 = Revenue Requirement Impact of Change In Rate Base		(24)	(101)	(146)
14 Other Impacts:				
15 Loss of Manufacturer's Deduction		21	0	0
16 Reduction In ITCC Revenue		11	13	15
17 Total Other Impacts		31	13	15
18 Estimated Annual Net Revenue Requirement Change		7	(89)	(131)

- A Qualifying additions are based on capital additions forecasted in the RO Models supporting the 2011 GRC and 2011 GT&S settlements. For purposes of determining GRC post test year capital additions, PG&E escalated 2011 capital additions at the 3% attrition revenue growth rate. Actual capital additions will vary from this estimate. Qualifying capital additions have been determined based on current tax rules and may change. Excluded from these amounts are capital additions related to projects with separate ratemaking treatment including SmartMeter, Cornerstone and the Solar PV program.
- B Represents the estimated change in current year federal income taxes resulting from bonus depreciation (Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010) on current year capital additions.
- C Represents the cumulative weighted average bonus depreciation related deferred tax balance for current year additions and the gradual reversal of the deferred tax liability as accumulated tax depreciation under MACRS depreciation catches up with accumulated tax depreciation under the applicable bonus depreciation schedule.
- D Represents income taxes on the estimated cumulative GRC and GT&S related net operating loss for federal tax purposes based on the RO Models supporting the 2011 GRC and 2011 GT&S settlements adjusted to reflect the impact of additional tax depreciation associated with bonus depreciation.
- E Estimated change in working cash results from application of the lead lag study results from PG&E's 2011 GRC to modified amounts for: 1) income taxes paid and 2) deferred tax liabilities. This working cash adjustment is necessary to reflect the appropriate net change to rate base related to bonus depreciation.