Pacific Gas and Electric Company®

**Brian K. Cherry**
Vice President
Regulation and Rates

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.6520

October 21, 2011

**Advice 3216-G-A/3859-E-A**
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject:** **Establish Tax Act Memorandum Account (TAMA-E and TAMA-G) Per CPUC Resolution No. L-411A**

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental advice letter to modify Advice 3216-G/3859-E as a result of the issuance of Resolution No. L-411A (Revised Resolution) on June 23, 2011. In this supplement PG&E makes the following revisions to the advice letter submitted on June 13, 2011:

1. Memorandum Account Period (Memo Account Period) to begin on April 14, 2011 instead of January 1, 2011, as proposed in Advice 3216-G/3859-E;
2. Replace references to Resolution L-411 issued on April 23, 20111 with references to resolution L-411A issued on June 23, 2011.

This supplemental filing replaces Advice 3216-G/3859-E filed on June 13, 2011 in its entirety.

## Purpose

In accordance with the Revised Resolution, Pacific Gas and Electric Company (PG&E) hereby submits this Tier 2 advice letter to establish Electric Preliminary Statement Part FR, Tax Act Memorandum Account - Electric (TAMA-E), and Gas Preliminary Statement Part CS, Tax Act Memorandum Account - Gas (TAMA-G), as included in Attachment 1. These memorandum accounts allow PG&E to track and record on a CPUC-jurisdictional, revenue requirement basis, the impacts of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("Tax Relief Act") including: (a) decreases in its revenue requirement resulting from increases in its deferred tax reserve; (b) offsets to reflect any additional costs or expenses, not otherwise recovered in rates, incurred as a result of certain additional, needed utility infrastructure investment enabled by the bonus depreciation provisions of the Tax Relief Act (see Attachment 2); and (c) other revenue requirement changes resulting from the Tax Relief Act, including amounts reflecting the impacts of any decrease in Section 199 manufacturer's tax deductions (MTD), changes in working cash and any decrease in the

Income Tax Component on Contribution (ITCC) received due to changes in the tariffed tax component of contributions-in-aid-of-construction (CIAC).

## Background

On December 17, 2010, President Obama signed the Tax Relief Act. Among other provisions, the Tax Relief Act provides for 100% bonus depreciation on certain business property put into service after September 8, 2010 and before January 1, 2012. The Tax Relief Act also provides for 50% bonus depreciation for property placed into service on or after January 1, 2012 and before January 1, 2013 and for certain property placed into service in 2013 where construction begins prior to January 1, 2013.

PG&E filed its 2011 General Rate Case (GRC) application in December 2009, covering the 2011 through 2013 period. Subsequently, on October 15, 2010 PG&E executed a settlement agreement (Settlement Agreement) with 16 other parties establishing revenue requirements for the years 2011-2013. The Tax Relief Act, referenced above, was enacted two months later. The purpose of the memorandum account is to track on a revenue requirement basis the incremental tax depreciation benefits from the Tax Relief Act, less applicable offsets, not otherwise reflected in rates. Tax benefits from the Small Business Act, signed on September 27, 2010, are specifically excluded from the memorandum account. (See Resolution No. L-411A, p. 3.)

On April 14, 2011, CPUC Resolution L-411 (Original Resolution) directed PG&E and other cost of service utilities to establish, by advice letter, a memorandum account within 60 days of the date of the Original Resolution.[1] PG&E duly submitted Advice 3216-G/3859-E on June 13, 2011 in compliance with the Original Resolution.

On June 23, 2011, a revised version of Resolution L-411, or Resolution L-411A, was issued to remove the inconsistencies, correct the errors, and clarify the Ordering Paragraphs of the original resolution. Both Resolution No. L-411 and Resolution No. L-411A provide that the Memo Account Period begin on the effective date of the resolution, April 14, 2011[2] and that entries are to be made on a revenue requirement basis. They also provide the staff with the flexibility to implement simplifying assumptions and workable solutions.[3]

For simplicity and consistency with the 2011 GRC and GT&S rate case revenue requirements, in Advice 3216-G/3859-E PG&E had originally proposed that the Memo Account track revenue requirement impacts of the Tax Relief Act starting on January 1, 2011. In this advice letter, PG&E is now proposing to calculate revenue requirement changes starting April 14, 2011, consistent with the effective date of the resolution. To

[1] See Resolution No. L-411, Ordering Paragraphs 1 and 6.

[2] See Resolution No. L-411, Findings and Conclusions 23 and Resolution No. L-411A, Ordering Paragraph 1.

[3] See Resolution No. L-411, Findings and Conclusions 19 and Resolution No. L-411A, Findings and Conclusions 18.

develop memo account entries for the period from April 14, 2011 to December 31, 2011, PG&E proposes to prorate the total annual revenue requirement changes based on the number of days between April 14, 2011 and December 31, 2011 divided by the total number of days in the year (i.e., 262 days / 365 days) for all impacted revenue requirement components.

Resolution No. L-411A also provides that the Memo Account Period will end on the date of the PG&E's next rate case cycle[4]. Given that the test years for PG&E's next GRC and Gas Transmission and Storage (GT&S) cases are 2014 and 2015, respectively, the Memo Account Period will end for electric distribution, electric generation and gas distribution as of December 31, 2013 and for gas transmission as of December 31, 2014.

An illustrative summary outlining the annual revenue requirements for each line of business, before the impact of incremental capital additions, is shown in Attachment 4.

Consistent with the Commission's intent in Resolution No. L-411A[5], PG&E has developed an estimate of annual revenue requirements using a simplified model (see Attachment 5)[6] based on standard regulatory conventions similar to other models which have been presented to and accepted by the Commission in other incremental filings. The simplified model also uses inputs from both the 2011 GRC RO model and the 2011 GT&S RO model, collectively referred to as 2011 ROs, which are based on the respective adopted settlement decisions.[7]

There are three primary sections of the simplified model:

**Section A** – Estimates the annual revenue requirement impact of the Tax Relief Act incremental tax depreciation on deferred tax liabilities associated with adopted electric distribution, electric generation, gas distribution and gas transmission capital additions for the period from September 2010 through December 2012. The rate base adjustment in this section represents the increase in deferred tax liabilities net of a deferred tax asset related to the estimated tax net operating loss (NOL) resulting from the Tax Relief Act.

**Section B** – Estimates the annual revenue requirements on additional utility infrastructure investment (i.e., incremental capital additions above adopted levels referred to in Section A, above) enabled by tax savings from the Tax Relief Act.

**Section C** – Estimates the annual revenue requirements associated with other impacts of the Tax Relief Act including the loss of MTD, working cash adjustments and reduced ITCC revenue.

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[4] See Resolution No. L-411A, Ordering Paragraph 3.
[5] See Resolution No. L-411A, Findings and Conclusions 18.
[6] The Simplified TAMA Model was provided electronically with Advice 3216-G/3859-E.
[7] 2011 GRC Decision 11-05-018; GT&S Settlement Decision 11-04-031.

Annual revenue requirements associated with Sections A, B and C will be calculated over the appropriate Memo Account Period for both the GRC and GT&S lines of business. Each of these sections is described in greater detail below.

The simplified model separately calculates the impact for each line of business[8] (electric distribution and generation, gas distribution and gas transmission) with an exception for the impact of the NOL adjustment. Since PG&E can offset taxable income in one line of business with tax losses in another, the NOL deferred tax adjustment is to be calculated in total. The revenue requirement impact of the NOL is then allocated across those lines of business with tax losses.

The line of business amounts are then combined into gas and electric accounts. Attachment 3 illustrates how balances in the gas and electric accounts are to be disposed of at the end of 2013. If both accounts are over-collected, the balances will be allocated for refund to distribution, generation and gas transmission customers in proportion to the net revenue requirement reduction generated by each line of business, calculated separately for gas and electric. If both accounts are under-collected, the balances are simply written off. If the gas account is over-collected and electric under-collected, or vice versa, consistent with the Revised Resolution, an adjustment will be made to transfer all or a portion of the over-collected account balance into the under-collected account. This transfer amount will be limited to 10% of the incremental revenue requirements from part B of the under-collected account.[9] The size of this transfer may not exceed either the net over-collected balance in the over-collected account or the net under-collected balance in the under-collected account. Entries to reflect post 2013 revenue requirement impacts will continue in the gas account through the end of 2014 but only for the gas transmission line of business.

Separately funded revenue requirements with incremental deferred tax reserve amounts related to the Tax Relief Act which are already reflected in rates are excluded from the memorandum account. This includes PG&E's SmartMeter, Cornerstone, and Solar Photovoltaic projects. These projects have separate ratemaking under which forecast revenue requirements are automatically trued-up to actual revenue requirements through balancing accounts.

## A. Impact of Tax Relief Act on Adopted Additions

For the purpose of calculating the annual incremental deferred tax revenue requirement impact of the Tax Relief Act on qualifying additions, PG&E has used

[8] Resolution No. L-411A refers to the term "service function" (Electric and Gas) in its guidelines. (See Resolution No. L-411A, p. 7). The RO Model will use "line of business" as a roll-up to service function.
[9] Per the Revised Resolution, Ordering Paragraph 5, at least 90% of the incremental investment amount must be attributable to the tax benefits associated with that particular service function. This transfer effectively allows up to 10% of the incremental investment amount in the under-collected account to be funded by tax benefits associated with the other service function.

an estimate of the qualified adopted capital additions for each line of business, from the RO Models supporting its 2011 GRC and GT&S Settlement Decisions (see Attachment 6). Capital addition amounts include both a pro-ration of the 2010 RO forecast amounts (for the period September to December) and the entire capital addition forecast for the 2011 calendar year. For gas transmission, PG&E will also use the 2012 capital additions adopted as part of the GT&S settlement decision.

For the GRC lines of business, PG&E proposes to assume the same level of capital additions in 2012 as adopted for 2011. PG&E's 2011 GRC settlement decision did not specifically adopt capital additions for 2012. The adopted attrition increase for 2012 was settled at $180 million (roughly 3% overall) and does not have a specific expense and capital cost basis. This small percentage increase barely covers the additional revenue requirement associated with the fact that qualified additions for 2011 will exceed depreciation in 2011 (this has the effect of increasing starting rate base in 2012 over the 2011 rate base level). If an RO were then run for 2012, incorporating reasonable inflation for expense items, the higher starting rate base, and the authorized rate of return, the result would indicate that capital additions would actually have to decrease in 2012 as compared to 2011. Nonetheless, PG&E proposes for the purpose of this memorandum account to assume capital additions are the same in 2012 as they are in 2011.

The incremental federal tax depreciation is computed by comparing the depreciation that would have been available on qualifying additions in the absence of the Tax Relief Act with the depreciation that is available on qualifying additions under the Tax Relief Act. The Pre-Tax Cost of Capital (see Attachment 8) is used on these incremental deferred taxes to calculate the revenue requirement impact.

For purposes of the memorandum account, qualifying additions are estimated based on the provisions of the Tax Relief Act as well as PG&E's Internal Revenue Service (IRS) audit experience.

In order to qualify for bonus depreciation under the Tax Relief Act, capital additions must be new property and must be:

(1) Depreciable tangible property with a tax recovery period of 20 years or less.
   - This includes all electric and gas transmission and distribution (T&D) property, except structures and land.
   - Office buildings, including improvements, affixed to the structure, do not qualify.
   - However, some structures, such as those at a generation plant, are granted bonus under a provision for special purpose structures.

(2) Computer software. (Other Intangible property does not qualify.)

(3) Qualified leasehold improvements.

As a general matter, virtually all asset classes qualify for bonus depreciation, except Land, Land Rights, Intangibles (other than software), and most Structures.

In addition, 100% bonus depreciation only applies to a portion of certain plant costs incurred after 9/8/2010.[10] Thus, an asset completed in late 2010 after two years of construction would qualify for 100% bonus depreciation only to the extent qualifying costs were incurred after 9/8/2010.

Finally, the IRS audits PG&E's bonus depreciation deduction and has disallowed some amounts. This audit experience[11] supports the qualifying ratios provided in the GRC. For example, based upon previous IRS audits, 96% of qualifying capital additions for most plant function groups will be accepted upon audit by the IRS. In the case of vehicles, the IRS has allowed only 72% of the deduction. The audit experience factor is applied to all bonus-eligible federal tax lives (3, 5, 7, 10, 15 and 20 years).

The amount of 100% bonus depreciation that PG&E will be able to deduct on its tax returns is determined by the kind of plant built or acquired, the dates when capital expenditures were incurred, and the amounts allowed by the IRS.

Resolution No. L-411A refers to the need to be consistent with normalization provisions of the Internal Revenue Code.[12] Thus the following proposed deferred tax asset adjustment is mandatory. When depreciation deductions result in an NOL carryover, the normalization provisions require that a deferred tax asset be recorded to offset the deferred tax liabilities arising from depreciation deductions. To the extent that the Tax Relief Act's bonus depreciation results in a taxable loss (NOL), there is no current year benefit from bonus depreciation. As such, when this situation occurs PG&E will create a deferred tax asset as an offset to incremental deferred taxes calculated on adopted additions. As previously mentioned, the calculation of taxable income is being made on a total CPUC-jurisdictional basis, including generation, electric and gas distribution and gas transmission (i.e., as reflected in the 2011 ROs) to ensure that losses are offset against income before determining the resulting NOL.

[10] See Revenue Procedure 2011-26, issued by the Internal Revenue Service on March 29, 2011.
[11] Variations of Bonus Depreciation have been in place since 2001 except for 2006 to 2007.
[12] Resolution No. L-411A, p. 2; *see also* Findings and Conclusions 4.

## B. Additional Utility Infrastructure Investment Offsets in 2011 and 2012

Resolution No. L-411A allows Utilities to use the tax savings realized under the Tax Relief Act to fund additional, needed utility infrastructure investment not otherwise funded in rates. PG&E is currently undertaking a process of identifying incremental capital projects it can fund using the bonus depreciation benefits consistent with the Resolution.

For the purpose of quantifying PG&E's additional infrastructure investment (i.e., incremental capital additions above adopted levels, referred to in Section A) in the memorandum account, PG&E will compare the recorded annual capital additions in certain Major Work Categories (MWCs) with adopted capital additions for those same MWCs as described in Attachment 7.[13]

The annual revenue requirements associated with this additional infrastructure investment are developed by multiplying the CPUC-jurisdictional incremental capital additions at the LOB level by appropriate annual composite revenue requirement factors which fully reflect the benefits of bonus depreciation taken under the Tax Relief Act. Consistent with regulatory convention, these annual revenue requirement factors include the cost of capital, book depreciation and income taxes.

The Commission guidelines describe the kinds of investments that can be recorded in the memorandum account as follows:

> *"Allowable types of infrastructure projects would include typical types of projects included in general rate case type applications. For example, for the electric utilities, projects would include [certain examples]…The spending must not provide generation capacity at a new plant. For gas utilities, projects would include [certain examples]….*
>
> *The property that the investment is made in must be Commission-jurisdictional. For all utilities that provide more than one kind of service, e.g., both gas and electric, at least 90% of the incremental investment amount must be attributable to the tax benefits associated with that particular service function. The property that the investment is made in must itself be eligible for bonus depreciation. At least 90% of the investment must have a tax depreciable life of at least*

[13] This is consistent with Commission guidelines included in the Revised Resolution.

> *15 years, and any remaining investments must be ancillary to such investments."*[14]

Accordingly, under these guidelines, PG&E cannot include projects that would not typically be included in a GRC-type application and cannot include projects that provide generation capacity at a new plant, even though such investments may qualify for bonus depreciation. For the most part, PG&E cannot include projects that have a tax life shorter than 15 years, such as software or vehicles. In addition, PG&E must ensure that its additional gas and electric projects are in proportion to the tax benefits associated with those functions.

PG&E's fixed asset system uses work orders to accrue the costs of building or acquiring plant. Those work orders are categorized by MWC. When the asset is complete, the work order costs settle to plant assets within certain Asset Classes. Asset Classes are then used to determine bonus depreciation eligibility and the proper tax depreciable life. PG&E is using MWCs as a basis for measuring incremental investments because MWCs indicate jurisdiction and service function and correlate with how eligibility for bonus depreciation is ultimately determined in PG&E's fixed asset system.

The table in Attachment 7, i.e., in column (a), used 2010 recorded plant addition activity to determine, for each MWC, how much of the capital work settled to asset classes that (1) qualified for bonus depreciation; and (2) had a tax life of 15 years or more.

Eligible MWCs are those where plant additions typically qualify for bonus depreciation with a tax life of 15 years or more. Ancillary MWCs are those that qualify for bonus depreciation, but with a tax life of less than 15 years. Finally, ineligible MWCs are those that do not qualify for bonus depreciation. To calculate incremental capital additions, PG&E will compare recorded and adopted additions for eligible MWCs only. In addition, up to 10% of PG&E's incremental additions can come from the ancillary MWCs provided that such additions are in fact ancillary to other additions funded by the Tax Relief Act.

## C. Other Impacts Resulting From Taking Bonus Depreciation

Taking bonus depreciation reduces PG&E's taxable income and may create a tax loss. As a result, the Manufacturer's Tax Deduction (MTD) may be decreased, or eliminated. The decrease in taxable income also impacts working cash, and the availability of bonus depreciation reduces revenues credited to ratepayers associated with CIAC. Each of these items is described in greater detail below:

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[14] Resolution No. L-411A, p. 6 and p. 7.

(1) Manufacturer's Tax Deduction: Internal Revenue Code (IRC) Section 199 allows a tax deduction for qualifying manufacturing activity. The MTD is computed as 9 percent of the net taxable income of PG&E that is derived from the manufacture of goods produced in the United States. Generation of electricity qualifies for the deduction; the T&D of electricity and gas does not qualify.

The 2011 GRC settlement decision (D.11-05-018) adopted revenue requirements incorporated a $20.6 million credit to reflect the forecasted MTD prior to the enactment of the bonus depreciation provision included in the Tax Relief Act. The bonus depreciation included in the Tax Relief Act will reduce PG&E's taxable income and may cause an overall net taxable loss. For instance, the actual MTD for 2011 is estimated to be zero, increasing PG&E's cost of service by $20.6 million in comparison to the adopted generation revenue requirement. The details of this calculation, and its revenue requirement effects, are shown in Attachment 9.

(2) Working Cash: As part of the working cash calculation in PG&E's GRC rate case, an expense lag study is performed based on several dozen expense items, including current Federal Income Tax (FIT) expense and deferred FIT. The current FIT and deferred FIT expense amounts are significantly altered by the Tax Relief Act. The current FIT, taxes we are forecasting to pay in the test year, is reduced by hundreds of millions of dollars while the deferred FIT is increased by hundreds of millions of dollars. The expense lags associated with these items are 111 days and zero, respectively.

Since the FIT lag is significantly greater than the lag for revenue collection (41 days), the effect of reducing current FIT expense to zero (or near zero) significantly increases working cash. In other words, when the FIT amount was substantial, it resulted in a cash lag benefit to PG&E that was returned to the customer. With the Tax Relief Act, this working cash benefit is greatly reduced. In effect, customers are already benefitted from *some* deferral of current tax expense payments through the working cash adjustments, and this deferral must be reversed when it is being separately recognized through an increase in deferred taxes.

There is also a separate working cash-related revenue requirement increase that results from the growth in deferred taxes. All deferred FIT is included in the working cash calculation with a lag of zero days in accordance with the CPUC Standard Practice U-16. On a ratemaking basis, this reflects a net collection lag for this item equal to the lag for revenue collection, 41 days. As such, any increase in deferred FIT results in a separate increase to working cash.

To model the working cash effects, factors were developed that allow the RO model to approximate the rate base changes. The respective factors are percentages that are multiplied by the FIT and deferred FIT as adjusted for any NOL. The result is a change to rate base. For FIT the percentage is 19% and for deferred FIT it is 11%. These percentages were derived from working cash results developed in a 2011 GRC RO model that included bonus depreciation. The details of the percentage calculation are as shown in Attachment 10.

(3) ITCC: CIAC consists of money or property contributed to PG&E by a customer or potential customer to the extent that the purpose of the contribution is to provide for the expansion, improvement, or replacement of PG&E's facilities. CIACs are required to be included in gross income under IRC Section 118(b).

Under D.87-09-026, the CPUC concluded that to the extent reasonable the entity causing the taxable event should bear the tax. Under this Decision, PG&E was permitted to adopt "Method 5" to recover the tax liability associated with the CIAC.

One element of Method 5 is that the contributor of a CIAC is required to make a payment to PG&E to cover a portion of the tax liability attributable to the CIAC (gross-up or ITCC). This gross-up is credited to deferred revenues and amortized over the tax life of the facilities by crediting Miscellaneous Revenues.

Under Method 5, the revenue requirement increases attributable to ratebasing the tax on CIAC is offset by increasing charges to the customer making the CIAC. These charges to the contributor are referred to as the ITCC. Contributors making taxable CIAC payments to PG&E pay an additional ITCC amount at the time of the contribution that is credited to deferred revenues net of income taxes, which has the result of reducing rate base. The deferred revenues are amortized over the tax life of the facilities by crediting Miscellaneous Revenues which also reduces revenue requirements. In effect, the general ratepayers assume the cost of the tax on CIAC (by creating a deferred tax asset), but their cost is offset to some extent by CIAC contributor's payment of the ITCC, which is an approximation of the net present value of the general ratepayers' costs for including the cost of the deferred tax asset in rate base.

The gross-up is directly impacted by changes to the tax depreciation on the underlying contribution, because the timing of accelerated depreciation determines when the tax on CIAC income is offset. An acceleration of the tax depreciation results in a reduction to the ITCC or gross-up rate charged to the contributor because it reduces the deferred tax asset, that otherwise increases rate base to the general ratepayer.

On December 30, 2010, PG&E filed Advice 3176-G/3784-E requesting that the CPUC further reduce the temporarily lower ITCC tax factor from 0.20 (20 percent) for gas and 0.22 (22 percent) for electric, to 0.08 (8 percent) for gas and 0.08 (8 percent) for electric as a result of 100% bonus depreciation. (See Attachment 11.) (This 0.08 (8 percent) ITCC rate, which is effective until December 31, 2011, reflects only California income taxes on CIAC, since the Federal taxable income from CIAC is fully offset by associated bonus depreciation.) The CPUC approved the reduced ITCC rate on February 28, 2011.

A reduction in the ITCC rate will reduce the deferred revenues that serve to reduce rate base and are amortized to Miscellaneous Revenues. This reduction in the ITCC rate, therefore, has the effect of increasing revenue requirements (e.g., for the 2011 test year a 34% ITCC rate had been assumed). (See Attachment 12.)

As stated above, the Memo Account Period will end for the electric distribution, generation, and gas distribution as of December 31, 2013 and for gas transmission as of December 31, 2014.

PG&E plans on forecasting the memorandum account balance as part of its 2014 GRC Application and having the memorandum account balance disposed of in its test year 2014 decision. As part of PG&E's 2014 GRC and 2015 GT&S applications, PG&E will estimate the forecast memorandum account balances for each line of business.

Consistent with the Commission's intent, this advice letter and the corresponding attachments represent PG&E's best effort to identify and capture all revenue requirement impacts of the Tax Relief Act in a simplified and transparent manner that serves the interest of both PG&E's customers and the Commission. If the methods and assumptions underlying PG&E's proposal are found to be inaccurate, incomplete or outdated, future modifications to the memorandum account structure may be necessary. This includes but is not limited to: changes in forecast additions qualifying for bonus or super bonus depreciation, modifications to PG&E's weighted average cost of capital, and other impacts of the Tax Relief Act on current and deferred federal income taxes that are not already captured in the model. As the need for such changes arises, PG&E will update this advice filing as appropriate.

## Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **November 10, 2011** which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch

505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-6520
E-mail: PGETariffs@pge.com

**Effective Date**

PG&E requests this Tier 2 advice filing become effective, subject to Energy Division approval, on April 14, 2011, as stated in Resolution No. L-411A, Ordering Paragraph 1.

**Notice**

In accordance with General Order (GO) 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for Application (A.) 09-12-020 (PG&E's 2011 GRC) and A.09-09-013 (PG&E's 2011 GT&S). Address changes to the GO 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at ProcessOffice@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs.

Brian Cherry /sag

Vice President, Regulation and Rates

**<u>Attachments:</u>**

| | |
|---|---|
| Attachment 1: | Gas Preliminary Statement Part CS, Tax Act Memorandum Account - Gas (TAMA-G) and Electric Preliminary Statement Part FR, Tax Act Memorandum Account - Electric (TAMA-E) |
| Attachment 2: | Sec. 401 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 |
| Attachment 3: | Summary of Electric and Gas Department Revenue Requirement Changes Due to the Tax Relief Act |
| Attachment 4: | Summary of Electric and Gas Line of Business Revenue Requirement Changes Due to the Tax Relief Act |
| Attachment 5: | Simplified TAMA Model |
| Attachment 6: | Forecasted/Adopted Capital Additions (2011 GRC and 2011 GT&S) |
| Attachment 7: | Capital Additions by Line of Business (LOB) and Major Work Category (MWC) |
| Attachment 8: | Adopted Cost of Capital |
| Attachment 9: | Section 199 Manufacturer's Tax Deduction (MTD) Benefit on Electric Generation |
| Attachment 10: | Working Cash |
| Attachment 11: | Approved Advice 3176-G/3784-E |
| Attachment 12: | ITCC Amortization to Miscellaneous Revenue Forecast |

cc: Service Lists: A.09-12-020 and A.09-09-013

# CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

| Utility type: | Contact Person: Greg Backens |
|---|---|
| ☑ ELC ☑ GAS | Phone #: (415) 973-4390 |
| ☐ PLC ☐ HEAT ☐ WATER | E-mail: gab4@pge.com |

| EXPLANATION OF UTILITY TYPE | (Date Filed/ Received Stamp by CPUC) |
|---|---|
| ELC = Electric GAS = Gas ☐<br>PLC = Pipeline HEAT = Heat WATER = Water | |

Advice Letter (AL) #: **3216-G-A/3859-E-A** **Tier: 2**

Subject of AL: **Establish Tax Act Memorandum Account (TAMA-E and TAMA-G) per CPUC Resolution No. L-411A**

Keywords (choose from CPUC listing): **Memorandum Account, Taxes,**

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☑ One-Time ☐ Other ____________

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: **L-411A**

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Is AL requesting confidential treatment? No. If so, what information is the utility seeking confidential treatment for: N/A

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: N/A

Resolution Required? ☐ Yes ☑No

Requested effective date: **April 14, 2011** No. of tariff sheets: **8**

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: **New Gas Preliminary Statement Part CS and New Electric Preliminary Statement Part FR**

Service affected and changes proposed:

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division**
**Tariff Files, Room 4005**
**DMS Branch**
**505 Van Ness Ave., San Francisco, CA 94102**
**jnj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company**
**Attn: Brian K. Cherry, Vice President, Regulation and Rates**
**77 Beale Street, Mail Code B10C**
**P.O. Box 770000**
**San Francisco, CA 94177**
**E-mail: PGETariffs@pge.com**

| **Cal P.U.C. Sheet No.** | **Title of Sheet** | **Cancelling Cal P.U.C. Sheet No.** |
|---|---|---|
| 29291-G | GAS PRELIMINARY STATEMENT PART CS<br>TAX ACT MEMORANDUM ACCOUNT - GAS<br>Sheet 1 | |
| 29292-G | GAS PRELIMINARY STATEMENT PART CS<br>TAX ACT MEMORANDUM ACCOUNT - GAS<br>Sheet 2 | |
| 29293-G | GAS TABLE OF CONTENTS<br>Sheet 1 | 29260-G |
| 29294-G | GAS TABLE OF CONTENTS<br>Sheet 5 | 28779-G |

# GAS PRELIMINARY STATEMENT PART CS
## TAX ACT MEMORANDUM ACCOUNT - GAS

Sheet 1 (N)
(N)

CS. TAX ACT MEMORANDUM ACCOUNT - GAS (TAMA-G) (N)

1. PURPOSE: The purpose of the Tax Act Memorandum Account – Gas ("TAMA-G") is to record and track the gas portion of the revenue requirement impacts of the New Tax Relief Act signed on December 17, 2010 (Tax Relief Act), not addressed in PG&E's 2011 General Rate Case (GRC) Decision 11-05-018 and Gas Transmission & Storage (GT&S) Settlement Decision 11-04-031. It tracks and records on a CPUC-jurisdictional, revenue requirement basis: (a) decreases in revenue requirement resulting from increases in its deferred tax reserve; and (b) other direct changes in revenue requirement resulting from taking advantage of the Tax Relief Act. This is a one way memorandum account that allows the Commission to determine at a future date whether rates should be changed, without having to be concerned with issues of retroactive ratemaking. (N)

2. APPLICABILITY: The TAMA-G applies to all customer classes, except for those specifically excluded by the Commission.

3. REVISION DATE: Disposition of the account balance will be initiated in PG&E's next GRC and GT&S rate cases. PG&E will transfer any account balance to the appropriate mechanism for refund, as may be approved by the Commission at that time.

4. RATES: The current TAMA-G does not have a rate component.

5. ACCOUNTING PROCEDURE: The PG&E shall maintain the TAMA-G by making entries a. – c. to this account after the close of each year, entries d and e at the end of 2013, entry f. as authorized and entry g. monthly, as follows:

   a. A credit entry equal to the decreases in the gas distribution, transmission and storage revenue requirements resulting from increases in the net deferred tax reserve (deferred tax liabilities net of deferred tax assets)

   b. A debit entry equal to the increases in the gas distribution, transmission and storage revenue requirements resulting from taking advantage of the Tax Relief Act to reflect any additional costs or expenses, not otherwise recovered in rates, incurred as a result of additional utility infrastructure investment enabled by the bonus depreciation provisions of the Tax Relief Act

   c. A debit entry equal to any increases in the gas distribution, transmission and storage revenue requirements due to Section 199 manufacturer's tax deductions resulting from bonus depreciation taken, changes in working cash resulting from the Tax Relief Act, and, any decrease in the tax component of contributions-in-aid-of-construction (CIAC) received due to changes in the tariffed tax component of CIAC to reflect the Tax Relief Act.

   d. A debit entry to transfer a portion of any net over-collected balance in the TAMA-G into the TAMA-E, if the TAMA-E is under-collected. This entry shall not exceed 10% of the increase in electric distribution and generation revenue requirements resulting from additional utility infrastructure investment as recorded in entry 5.b. of the TAMA-E, and may not exceed the net over-collected balance in the TAMA-G or under-collected balance in the TAMA-E.

   e. A credit entry to transfer a portion of any net over-collected balance in the TAMA-E into the TAMA-G, if the TAMA-G is under-collected. This entry shall not exceed 10% of the increase in gas distribution and gas transmission revenue requirements resulting from additional utility infrastructure investment as recorded in entry 5.b. above, and may not exceed the net over- collected balance in the TAMA-E or under-collected balance in the TAMA-G. (N)

(Continued)

**GAS PRELIMINARY STATEMENT PART CS** Sheet 2 (N)
TAX ACT MEMORANDUM ACCOUNT - GAS (N)

5. ACCOUNTING PROCEDURE (Cnt'd): (N)

g. A debit entry to transfer all or a portion of the balance in this TAMA-G to any other accounts for future rate adjustment, as may be approved by the CPUC. If, at the end of the memorandum account period, this memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates. (N)

h. A debit entry equal to the interest on the average balance at the beginning of the month and the balance after the above entry at a rate equal to the average interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (N)

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# GAS TABLE OF CONTENTS

Sheet 5

## Preliminary Statements



(Continued)

| Cal P.U.C. Sheet No. | Title of Sheet | Cancelling Cal P.U.C. Sheet No. |
|---|---|---|
| 30686-E | ELECTRIC PRELIMINARY STATEMENT PART FR<br>TAX ACT MEMORANDUM ACCOUNT - ELECTRIC<br>Sheet 1 | |
| 30687-E | ELECTRIC PRELIMINARY STATEMENT PART FR<br>TAX ACT MEMORANDUM ACCOUNT - ELECTRIC<br>Sheet 2 | |
| 30688-E | ELECTRIC TABLE OF CONTENTS<br>Sheet 1 | 30532-E |
| 30689-E | ELECTRIC TABLE OF CONTENTS<br>PRELIMINARY STATEMENT<br>Sheet 17 | 30383-E* |

# ELECTRIC PRELIMINARY STATEMENT PART FR
## TAX ACT MEMORANDUM ACCOUNT - ELECTRIC

Sheet 1 (N)
(N)

FR. TAX ACT MEMORANDUM ACCOUNT - ELECTRIC (TAMA-E)

1. PURPOSE: The purpose of the Tax Act Memorandum Account – Electric ("TAMA-E") is to record and track the electric portion of the revenue requirement impacts of the New Tax Relief Act signed on December 17, 2010 (Tax Relief Act), not addressed in PG&E's 2011 General Rate Case (GRC) Decision 11-05-018 and Gas Transmission & Storage (GT&S) Settlement Decision 11-04-031. It tracks and records on a CPUC-jurisdictional, revenue requirement basis: (a) decreases in revenue requirement resulting from increases in its deferred tax reserve; and (b) other direct changes in revenue requirement resulting from taking advantage of the Tax Relief Act. This is a one way memorandum account that allows the Commission to determine at a future date whether rates should be changed, without having to be concerned with issues of retroactive ratemaking. (N)

2. APPLICABILITY: The TAMA-E applies to all customer classes, except for those specifically excluded by the Commission.

3. REVISION DATE: Disposition of the account balance will be initiated in PG&E's next GRC. PG&E will transfer the account balance to the appropriate mechanism for refund, as may be approved by the Commission at that time.

4. RATES: The current TAMA-E does not have a rate component.

5. ACCOUNTING PROCEDURE: PG&E shall maintain the TAMA-E by making entries a. – c. to this account after the close of each year, entries d and e at the end of 2013, entry f. as authorized and entry g. monthly, as follows:

   a. A credit entry equal to the decreases in the electric distribution and generation revenue requirements resulting from increases in the net deferred tax reserve (deferred tax liabilities net of deferred tax assets).

   b. A debit entry equal to the increases in the electric distribution and generation revenue requirements resulting from taking advantage of the Tax Relief Act to reflect any additional costs or expenses, not otherwise recovered in rates, incurred as a result of additional utility infrastructure investment enabled by the bonus depreciation provisions of the Tax Relief Act.

   c. A debit entry equal to any increases in the electric distribution and generation revenue requirements due to Section 199 manufacturer's tax deductions resulting from bonus depreciation taken, changes in working cash resulting from the Tax Relief Act, and, any decrease in the tax component of contributions-in-aid-of-construction (CIAC) received due to changes in the tariffed tax component of CIAC to reflect the Tax Relief Act.

   d. A debit entry to transfer a portion of any net over-collected balance in the TAMA-E into the TAMA-G, if the TAMA-G is under-collected. This entry shall not exceed 10% of the increase in gas distribution and gas transmission revenue requirements resulting from additional utility infrastructure investment as recorded in entry 5.b. of the TAMA-G, and may not exceed the net over-collected balance in the TAMA-E or under-collected balance in the TAMA-G.

   e. A credit entry to transfer a portion of any net over-collected balance in the TAMA-G into the TAMA-E, if the TAMA-E is under-collected. This entry shall not exceed 10% of the increase in electric distribution and electric generation revenue requirements resulting from additional utility infrastructure investment as recorded in entry 5.b. above, and may not exceed the net over-collected balance in the TAMA-G or under-collected balance in the TAMA-E. (N)

(Continued)

**ELECTRIC PRELIMINARY STATEMENT PART FR** Sheet 2 (N)
TAX ACT MEMORANDUM ACCOUNT - ELECTRIC (N)

5. ACCOUNTING PROCEDURE (Cnt'd): (N)

   f. A debit entry to transfer all or a portion of the balance in this TAMA-E to any other accounts for future rate adjustment, as may be approved by the CPUC. If, at the end of the memorandum account period, this memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates. (N)

   g. A debit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry at a rate equal to the average interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (N)

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(Continued)

# ELECTRIC TABLE OF CONTENTS
## PRELIMINARY STATEMENT

Sheet 17



(Continued)

# Advice 3216-G-A/3859-E-A

**Attachment 2**

**Sec. 401 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010**

# Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 [P.L. 111-312 12/17/2010]

## TITLE IV. TEMPORARY EXTENSION OF INVESTMENT INCENTIVES [§§401—402]

## Law Sec. 401. EXTENSION OF BONUS DEPRECIATION; TEMPORARY 100 PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.

**(a)** In General. Paragraph (2) of section 168(k) is amended—

**(1)** by striking "January 1, 2012" in subparagraph (A)(iv) and inserting "January 1, 2014", and

**(2)** by striking "January 1, 2011" each place it appears and inserting "January 1, 2013".

**(b)** Temporary 100 Percent Expensing. Subsection (k) of section 168 is amended by adding at the end the following new paragraph:

"(5) SPECIAL RULE FOR PROPERTY ACQUIRED DURING CERTAIN PRE-2012 PERIODS.-In the case of qualified property acquired by the taxpayer (under rules similar to the rules of clauses (ii) and (iii) of paragraph (2)(A)) after September 8, 2010, and before January 1, 2012, and which is placed in service by the taxpayer before January 1, 2012 (January 1, 2013, in the case of property described in subparagraph (2)(B) or (2)(C)), paragraph (1)(A) shall be applied by substituting '100 percent' for '50 percent'.".

**(c)** Extension of Election to Accelerate the AMT Credit in Lieu of Bonus Depreciation.

**(1)** Extension. Clause (iii) of section 168(k)(4)(D) is amended by striking "or production" and all that follows and inserting "or production—

"(I) after March 31, 2008, and before January 1, 2010, and

"(II) after December 31, 2010, and before January 1, 2013,

shall be taken into account under subparagraph (B)(ii) thereof,".

**(2)** Rules for Round 2 Extension Property. Paragraph (4) of section 168(k) is amended by adding at the end the following new subparagraph:

"(I) SPECIAL RULES FOR ROUND 2 EXTENSION PROPERTY.-

"(i) IN GENERAL.-In the case of round 2 extension property, this paragraph shall be applied without regard to—

"(I) the limitation described in subparagraph (B)(i) thereof, and

"(II) the business credit increase amount under subparagraph (E)(iii) thereof.

"(ii) TAXPAYERS PREVIOUSLY ELECTING ACCELERATION.-In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, or a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008—

"(I) the taxpayer may elect not to have this paragraph apply to round 2 extension property, but

"(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is round 2 extension property.

The amounts described in subclause (II) shall be computed separately from any amounts computed with respect to eligible qualified property which is not round 2 extension property.

"(iii) TAXPAYERS NOT PREVIOUSLY ELECTING ACCELERATION.-In the case of a taxpayer who neither made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, nor made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008—

"(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2010, and each subsequent taxable year, and

"(II) if the taxpayer makes the election under subclause (I), this paragraph shall only apply to eligible qualified property which is round 2 extension property.

"(iv) ROUND 2 EXTENSION PROPERTY.-For purposes of this subparagraph, the term 'round 2 extension property' means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 401(a) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (and the application of such extension to this paragraph pursuant to the amendment made by section 401(c)(1) of such Act).".

**(d)** Conforming Amendments.

**(1)** The heading for subsection (k) of section 168 is amended by striking "JANUARY 1, 2011" and inserting "JANUARY 1, 2013".

**(2)** The heading for clause (ii) of section 168(k)(2)(B) is amended by striking "PRE-JANUARY 1, 2011" and inserting "PRE-JANUARY 1, 2013".

**(3)** Subparagraph (D) of section 168(k)(4) is amended—

**(A)** by striking clauses (iv) and (v),

**(B)** by inserting "and" at the end of clause (ii), and

**(C)** by striking the comma at the end of clause (iii) and inserting a period.

**(4)** Paragraph (5) of section 168(l) is amended—

**(A)** by inserting "and" at the end of subparagraph (A),

**(B)** by striking subparagraph (B), and

**(C)** by redesignating subparagraph (C) as subparagraph (B).

**(5)** Subparagraph (C) of section 168(n)(2) is amended by striking "January 1, 2011" and inserting "January 1, 2013".

# Advice 3216-G-A/3859-E-A

## Attachment 3

## Summary of Electric and Gas Department Revenue Requirement Changes Due to the Tax Relief Act

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Summary of Electric and Gas Department Revenue Requirement Changes Due to the Tax Relief Act**
($ in millions)

| Line No. | | | Electric | | Gas |
|---|---|---|---|---|---|
| 1 | Impact of Adopted Capital Additions (Section A) | | (221) | | (70) |
| 2 | Impact of Additional Infrastructure Investment (Section B) | | 0 | | 0 |
| 3 | Impact of Other Items Resulting From Tax Relief Act (Section C) | | 69 | | 13 |
| 4 | Change in Revenue Requirements ( A + B + C ) | | (151) | | (57) |
| 5 | Service Function Adjustment (See Below) | | 0 | | 0 |
| 6 | **Total Change in Revenue Requirements at The End of Rate Case Cycle** | | (151) | | (57) |
| 7 | | ED* | (132) | GD* | (35) |
| 8 | | EG* | (19) | GT* | (21) |

Service Function Adjustment:

| | | | Electric | Gas |
|---|---|---|---|---|
| a. | Are TAMA-G and TAMA-E both under-collected? | NO | | |
| b. | Are TAMA-G and TAMA-E both over-collected? | YES | | |
| c. | Is the TAMA-G account over-collected and TAMA-E under-collected? | NO | 0 | 0 |
| d. | Is the TAMA-E over-collected and TAMA-G under-collected? | NO | 0 | 0 |

* Allocations to LOBs are based on proportion to the Change in Revenue Requirements (L4) above.
Please note that negative amounts indicate an over-collection.

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# Advice 3216-G-A/3859-E-A

## Attachment 4

## Summary of Electric and Gas Line of Business Revenue Requirement Changes Due to the Tax Relief Act

**Consistent with both Resolution No. L-411 and Resolution No. L-411A, the 2011 Revenue requirements will reflect the period from April 14, 2011 to December 31, 2011.**

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Illustration of 2010 Tax Relief Act Impact**
**Summary of Electric Line of Business Revenue Requirement Changes Due to the Tax Relief Act**
($ in millions)

| | | 2011 | | 2012 | | 2013 | | 2011 thru 2013 Total | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Distribution | Generation | Distribution | Generation | Distribution | Generation | Distribution | Generation | Total Electric |
| **Section A - Impact of Adopted Capital Additions** | | | | | | | | | | |
| 1 | Adopted Qualifying Capital Additions | 1,241 | 290 | 1,241 | 290 | N/A | N/A | | | |
| 2 | Incremental Tax Depreciation | 1,175 | 264 | 485 | 99 | (150) | (49) | | | |
| 3 | x Federal Income Tax Rate | 35% | 35% | 35% | 35% | 35% | 35% | | | |
| 4 | = Incremental Deferred Taxes | 411 | 92 | 170 | 35 | (52) | (17) | | | |
| 5 | Accumulated Weighted Average Deferred Taxes* | (240) | (80) | (550) | (149) | (627) | (162) | | | |
| 6 | + Net Operating Loss Adjustment | 29 | 13 | 40 | 19 | 0 | 0 | | | |
| 7 | = Net Incremental Change in Rate Base | (211) | (67) | (510) | (130) | (627) | (162) | | | |
| 8 | x Pre-Tax Return on Rate Base | 12.92% | 12.92% | 12.92% | 12.92% | 12.92% | 12.92% | | | |
| 9 | **= Revenue Requirement - Adopted Additions** | **(27)** | **(9)** | **(66)** | **(17)** | **(81)** | **(21)** | **(174)** | **(46)** | **(221)** |
| **Section B - Impact of Additional Infrastructure Investment** | | | | | | | | | | |
| 10 | Recorded Qualifying Capital Additions | 1,241 | 290 | 1,241 | 290 | N/A | N/A | | | |
| 11 | Less: Adopted Qualifying Capital Additions | 1,241 | 290 | 1,241 | 290 | N/A | N/A | | | |
| 12 | = Incremental Capital Additions | 0 | 0 | 0 | 0 | N/A | N/A | | | |
| 13 | Accumulated Weighted Average Incremental Additions* | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| 14 | x Imputed Composite Revenue Requirement Factors* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | | |
| 15 | **= Revenue Requirement - Additional Investment** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** | **0** |
| **Section C - Impact of Other Items Resulting from TRA** | | | | | | | | | | |
| 16 | Loss of Manufacturer's Tax Deduction | N/A | 21 | N/A | 0 | N/A | 0 | | | |
| 17 | Reduction in ITCC Revenues | 7 | N/A | 9 | N/A | 11 | N/A | | | |
| 18 | Change in Working Cash | 11 | 5 | 5 | 2 | (2) | (1) | | | |
| 19 | **= Revenue Requirement - Other Items** | **18** | **26** | **15** | **2** | **10** | **(1)** | **42** | **27** | **69** |
| 20 | **Total Change in Revenue Requirement** ( A + B + C ) | **(9)** | **17** | **(51)** | **(14)** | **(72)** | **(22)** | **(132)** | **(19)** | **(151)** |

* Amounts are calculated in the Simplified Model. The Revenue Requirement (L15) has been calculated using the simplified model.

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**Consistent with both Resolution No. L-411 and Resolution No. L-411A, the 2011 Revenue requirements will reflect the period from April 14, 2011 to December 31, 2011.**

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Illustration of 2010 Tax Relief Act Impact**
**Summary of Gas Line of Business Revenue Requirement Changes Due to the Tax Relief Act**
($ in millions)

| | | 2011 | | 2012 | | 2013 | | 2011 thru 2013 Total | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Distribution | Transmission | Distribution | Transmission | Distribution | Transmission | Distribution | Transmission | Total Gas | Transmission |
| **Section A - Impact of Adopted Capital Additions** | | | | | | | | | | | |
| 1 | Adopted Qualifying Capital Additions | 341 | 144 | 341 | 115 | N/A | N/A | | | | N/A |
| 2 | Incremental Tax Depreciation | 320 | 130 | 127 | 34 | (48) | (24) | | | | (27) |
| 3 | x Federal Income Tax Rate | 35% | 35% | 35% | 35% | 35% | 35% | | | | 35% |
| 4 | = Incremental Deferred Taxes | 112 | 45 | 44 | 12 | (17) | (8) | | | | (9) |
| 5 | Accumulated Weighted Average Deferred Taxes* | (63) | (43) | (147) | (74) | (166) | (78) | | | | (69) |
| 6 | + Net Operating Loss Adjustment | 8 | 5 | 11 | 7 | 0 | 0 | | | | N/A |
| 7 | = Net Incremental Change in Rate Base | (56) | (38) | (136) | (68) | (166) | (78) | | | | (69) |
| 8 | x Pre-Tax Return on Rate Base | 12.92% | 12.92% | 12.92% | 12.92% | 12.92% | 12.92% | | | | 12.92% |
| 9 | **= Revenue Requirement - Adopted Additions** | (7) | (5) | (18) | (9) | (21) | (10) | (46) | (24) | (70) | (9) |
| **Section B - Impact of Additional Infrastructure Investment** | | | | | | | | | | | |
| 10 | Recorded Qualifying Capital Additions | 341 | 144 | 341 | 115 | N/A | N/A | | | | N/A |
| 11 | Less: Adopted Qualifying Capital Additions | 341 | 144 | 341 | 115 | N/A | N/A | | | | N/A |
| 12 | = Incremental Capital Additions | 0 | 0 | 0 | 0 | N/A | N/A | | | | N/A |
| 13 | Accumulated Weighted Average Incremental Additions* | 0 | 0 | 0 | 0 | 0 | 0 | | | | - |
| 14 | x Imputed Composite Revenue Requirement Factors* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | | | - |
| 15 | **= Revenue Requirement - Additional Investment** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** | **0** | *0* |
| **Section C - Impact of Other Items Resulting from TRA** | | | | | | | | | | | |
| 16 | Reduction in ITCC Revenues | 2 | N/A | 2 | N/A | 3 | N/A | | | | N/A |
| 17 | Change in Working Cash | 3 | 2 | 1 | 1 | (1) | (0) | | | | N/A |
| 18 | **= Revenue Requirement - Other Items** | **5** | **2** | **4** | **1** | **2** | (0) | **11** | **2** | **13** | **0** |
| 19 | **Total Change in Revenue Requirement** (A + B + C) | (2) | (3) | (14) | (8) | (19) | (10) | (35) | (21) | (57) | (9) |

* Amounts are calculated in the Simplified Model. The Revenue Requirement (L15) has been calculated using the simplified model.

# Advice 3216-G-A/3859-E-A

## Attachment 5

## Simplified TAMA Model

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**All LOBs Summary Revenue Requirements (RRQ) Estimation Model**
(In Millions of Dollars)

| Line No. | Description | 2010 | 2011 | 2012 | 2013 | Source |
|---|---|---|---|---|---|---|
| 1 | **A. Impact of Tax Relief Act on Adopted Additions** | | | | | |
| 2 | Sep thru Dec 2010 Additions | | | | | |
| 3 | **TRA Qualified Capital Additions** | 903 | | | | SUM of LOBs |
| 4 | TRA Bonus Depreciation Factor | 100% | 0% | 0% | 0% | L5/L3 |
| 5 | TRA Bonus Depreciation Amount | 903 | 0 | 0 | 0 | SUM of LOBs |
| 6 | Pre-TRA Depreciation Factor | 52.30% | 4.38% | 3.98% | 3.61% | L7/L3 |
| 7 | Pre-TRA Depreciation | 473 | 40 | 36 | 33 | SUM of LOBs |
| 8 | TRA Incremental Bonus Depreciation | 431 | (40) | (36) | (33) | L5-L7 |
| 9 | 2011 Additions | | | | | |
| 10 | TRA Qualified Capital Additions | | 2,017 | | | SUM of LOBs |
| 11 | TRA Bonus Depreciation Factor | | 100% | 0% | 0% | L12/L10 |
| 12 | TRA Bonus Depreciation Amount | | 2,017 | 0 | 0 | SUM of LOBs |
| 13 | Standard Depreciation Factor | | 4.41% | 8.42% | 7.67% | L14/L10 |
| 14 | Standard Depreciation | | 89 | 170 | 155 | SUM of LOBs |
| 15 | TRA Incremental Bonus Depreciation | | 1,928 | (170) | (155) | L12-L14 |
| 16 | 2012 Additions | | | | | |
| 17 | TRA Qualified Capital Additions | | | 1,987 | | SUM of LOBs |
| 18 | TRA Bonus Depreciation Factor | | | 52.20% | 4.20% | L19/L17 |
| 19 | TRA Bonus Depreciation Amount | | | 1,037 | 83 | SUM of LOBs |
| 20 | Standard Depreciation Factor | | | 4.40% | 8.40% | L21/L17 |
| 21 | Standard Depreciation | | | 87 | 167 | SUM of LOBs |
| 22 | TRA Incremental Bonus Depreciation | | | 950 | (83) | L19-L21 |
| 23 | Total TRA Incremental Depreciation | 431 | 1,889 | 744 | (271) | L8+L15+L22 |
| 24 | | | | | | |
| 25 | Incremental Deferred Tax | | | | | |
| 26 | Tax Rate | 35% | 35% | 35% | 35% | Attachment 8, L5 |
| 27 | Current Year Deferred Tax | 151 | 661 | 260 | (95) | L24*L26 |
| 28 | Accumulated Deferred Tax | 151 | 812 | 1,072 | 978 | ACC(L27) |
| 29 | Rate Base Adjustment - Average Year | | | | | |
| 30 | Deferred Taxes | | (426) | (920) | (1,033) | Previous Year L28 Plus 41.66% of Current Year L27 (Negative) |
| 31 | | | | | | |
| 32 | Net Operating Loss (NOL) | | | | | |
| 33 | Adopted Taxable Income | | 1,515 | 1,515 | 1,515 | SUM of LOBs |
| 34 | Less: Additional Investment Tax Deductible Loss | | 0 | 0 | 0 | SUM of LOBs |
| 35 | Less: TRA Bonus Depreciation on Adopted Additions | | (1,889) | (744) | 271 | SUM of LOBs |
| 36 | Less: TRA Bonus Depreciation on Additional Investment | | 0 | 0 | | L50*L11 and L54*L18 |
| 37 | Carry-Forward | | (374) | 771 | 1,786 | sum(L33:L36) |
| 38 | Accumulated Carry-Forward | | (374) | 0 | 0 | ACC(L37) |
| 39 | Tax Rate | | 35% | 35% | 35% | Attachment 8, L5 |
| 40 | Deferred Tax Adjustment | | 131 | 0 | 0 | L38*L39 (Negative) |
| 41 | NOL Deferred Tax Asset | | 54 | 76 | 0 | Previous Year L40 Plus 41.66% of Year over Year Change L40 |
| 42 | | | | | | |
| 43 | Total Rate Base Adjustment | | (372) | (844) | (1,033) | L30+L41 |
| 44 | Pre-Tax Cost of Capital (%) | | 12.92% | 12.92% | 12.92% | Attachment 8 |
| 45 | **Change in Annual RRQ on Adopted Capital Additions** | | (48) | (109) | (133) | L43*L44 |
| 46 | Accumulated Revenue Requirements on Adopted Additions | | (48) | (157) | (291) | ACC(L45) |
| 47 | | | | | | |
| 48 | **B. Additional Utility Infrastructure Investment** | | | | | |
| 49 | 2011 Additions | | | | | |
| 50 | TRA Qualified Capital Additions | | 0 | | | SUM of LOBs |
| 51 | Annual Revenue Requirements Factor | | 0.00% | 0.00% | 0.00% | L52/L50 |
| 52 | Revenue Requirements | | 0 | 0 | 0 | SUM of LOBs |
| 53 | 2012 Additions | | | | | |
| 54 | TRA Qualified Capital Additions | | | 0 | | SUM of LOBs |
| 55 | Annual Revenue Requirements Factor | | | 0.00% | 0.00% | L56/L54 |
| 56 | Revenue Requirements | | | 0 | 0 | SUM of LOBs |
| 57 | | | | | | |
| 58 | **Annual RRQ on Additional Investment** | | 0 | 0 | 0 | L52+L56 |
| 59 | | | | | | |
| 60 | **C. Other RRQ Impacts Resulting from Taking Bonus Depreciation** | | | | | |
| 61 | Manufacturer's Tax Deduction Adjustment | | 21 | 0 | 0 | Elec Gen L61 |
| 62 | Working Cash Adjustment | | 21 | 10 | (4) | Working Cash*Pre-tax Cost of Captial (Attachment 8) |
| 63 | ITCC Adjustment | | 9 | 12 | 14 | Elec Dist L63 + Gas Dist L63 |
| 64 | **Change in Annual RRQ on Other Impacts** | | 51 | 22 | 10 | sum(L61:L63) |
| 65 | | | | | | |
| 66 | **Total Change in Annual Revenue Requirements** | | **2** | **(87)** | **(123)** | L45+L58+L64 |
| 67 | Accumulated Revenue Requirements | | 2 | (85) | (208) | ACC(L66) |

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Electric Generation Revenue Requirements (RRQ) Estimation Model**
(In Millions of Dollars)

| Line No. | Description | 2010 | 2011 | 2012 | 2013 | Source |
|---|---|---|---|---|---|---|
| 1 | **A. Impact of Tax Relief Act on Adopted Additions** | | | | | |
| 2 | Sep thru Dec 2010 Additions | | | | | |
| 3 | **TRA Qualified Capital Additions** | 253 | | | | Attachment 6, L1 |
| 4 | TRA Bonus Depreciation Factor | 100% | 0% | 0% | 0% | EG ROs |
| 5 | TRA Bonus Depreciation Amount | 253 | 0 | 0 | 0 | L3*L4 |
| 6 | Pre-TRA Depreciation Factor | 52.52% | 4.79% | 4.30% | 3.87% | EG ROs |
| 7 | Pre-TRA Depreciation | 133 | 12 | 11 | 10 | L3*L6 |
| 8 | TRA Incremental Bonus Depreciation | 120 | (12) | (11) | (10) | L5-L7 |
| 9 | 2011 Additions | | | | | |
| 10 | TRA Qualified Capital Additions | | 290 | | | Attachment 6, L1 |
| 11 | TRA Bonus Depreciation Factor | | 100% | 0% | 0% | EG ROs |
| 12 | TRA Bonus Depreciation Amount | | 290 | 0 | 0 | L10*L11 |
| 13 | Standard Depreciation Factor | | 5.04% | 9.57% | 8.61% | EG ROs |
| 14 | Standard Depreciation | | 15 | 28 | 25 | L10*L13 |
| 15 | TRA Incremental Bonus Depreciation | | 276 | (28) | (25) | L12-L14 |
| 16 | 2012 Additions | | | | | |
| 17 | TRA Qualified Capital Additions | | | 290 | | Attachment 6, L1 |
| 18 | TRA Bonus Depreciation Factor | | | 52.52% | 4.79% | EG ROs |
| 19 | TRA Bonus Depreciation Amount | | | 153 | 14 | L17*L18 |
| 20 | Standard Depreciation Factor | | | 5.04% | 9.57% | EG ROs |
| 21 | Standard Depreciation | | | 15 | 28 | L17*L20 |
| 22 | TRA Incremental Bonus Depreciation | | | 138 | (14) | L19-L21 |
| 23 | Total TRA Incremental Depreciation | 120 | 264 | 99 | (49) | L8+L15+L22 |
| 24 | | | | | | |
| 25 | Incremental Deferred Tax | | | | | |
| 26 | Tax Rate | 35% | 35% | 35% | 35% | Attachment 8, L5 |
| 27 | Current Year Deferred Tax | 42 | 92 | 35 | (17) | L24*L26 |
| 28 | Accumulated Deferred Tax | 42 | 134 | 169 | 152 | ACC(L27) |
| 29 | Rate Base Adjustment - Average Year | | | | | |
| 30 | Deferred Taxes | | (80) | (149) | (162) | Previous Year L28 Plus 41.66% of Current Year L27 (Negative) |
| 31 | | | | | | |
| 32 | Net Operating Loss (NOL) | | | | | |
| 33 | Adopted Taxable Income | | 368 | 368 | 368 | Inputs L4 |
| 34 | Less: Additional Investment Tax Deductible Loss | | 0 | 0 | 0 | RO Taxable Income as % times Incremental Plant |
| 35 | Less: TRA Bonus Depreciation on Adopted Additions | | (264) | (99) | 49 | L23 |
| 36 | Less: TRA Bonus Depreciation on Additional Investment | | 0 | 0 | | L50*L11 and L54*L18 |
| 37 | Carry-Forward | | 104 | 268 | 416 | sum(L33:L36) |
| 38 | Accumulated Carry-Forward | | | | | |
| 39 | Tax Rate | | | | | |
| 40 | Deferred Tax Adjustment | | | | | |
| 41 | NOL Deferred Tax Asset | | 13 | 19 | 0 | Proportion from Summary L41 |
| 42 | | | | | | |
| 43 | Total Rate Base Adjustment | | (67) | (130) | (162) | L30+L41 |
| 44 | Pre-Tax Cost of Capital (%) | | 12.92% | 12.92% | 12.92% | Attachment 8 |
| 45 | **Change in Annual RRQ on Adopted Capital Additions** | | (9) | (17) | (21) | L43*L44 |
| 46 | Accumulated Revenue Requirements on Adopted Additions | | (9) | (26) | (46) | ACC(L45) |
| 47 | | | | | | |
| 48 | **B. Additional Utility Infrastructure Investment** | | | | | |
| 49 | 2011 Additions | | | | | |
| 50 | TRA Qualified Capital Additions | | 0 | | | Inputs L11 |
| 51 | Annual Revenue Requirements Factor | | 5.98% | 11.79% | 11.48% | EG ROs |
| 52 | Revenue Requirements | | 0 | 0 | 0 | L50*L51 |
| 53 | 2012 Additions | | | | | |
| 54 | TRA Qualified Capital Additions | | | 0 | | Inputs L11 |
| 55 | Annual Revenue Requirements Factor | | | 7.05% | 13.83% | EG ROs |
| 56 | Revenue Requirements | | | 0 | 0 | L54*L55 |
| 57 | | | | | | |
| 58 | **Annual RRQ on Additional Investment** | | 0 | 0 | 0 | L52+L56 |
| 59 | | | | | | |
| 60 | **C. Other RRQ Impacts Resulting from Taking Bonus Depreciation** | | | | | |
| 61 | Manufacturer's Tax Deduction Adjustment | | 21 | 0 | 0 | Based on Change in Taxable Income for Electric Generation |
| 62 | Working Cash Adjustment | | 5 | 2 | (1) | Proportion from Summary L62 |
| 63 | ITCC Adjustment | | N/A | N/A | N/A | |
| 64 | **Change in Annual RRQ on Other Impacts** | | 26 | 2 | (1) | sum(L61:L63) |
| 65 | | | | | | |
| 66 | **Total Change in Annual Revenue Requirements** | | **17** | **(14)** | **(22)** | L45+L58+L64 |
| 67 | Accumulated Revenue Requirements | | 17 | 3 | (19) | ACC(L66) |

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Electric Distribution Revenue Requirements (RRQ) Estimation Model**
(In Millions of Dollars)

| Line No. | Description | 2010 | 2011 | 2012 | 2013 | Source |
|---|---|---|---|---|---|---|
| 1 | **A. Impact of Tax Relief Act on Adopted Additions** | | | | | |
| 2 | Sep thru Dec 2010 Additions | | | | | |
| 3 | **TRA Qualified Capital Additions** | 406 | | | | Attachment 6, L2 |
| 4 | TRA Bonus Depreciation Factor | 100% | 0% | 0% | 0% | ED ROs |
| 5 | TRA Bonus Depreciation Amount | 406 | 0 | 0 | 0 | L3*L4 |
| 6 | Pre-TRA Depreciation Factor | 52.02% | 3.88% | 3.56% | 3.28% | ED ROs |
| 7 | Pre-TRA Depreciation | 211 | 16 | 14 | 13 | L3*L6 |
| 8 | TRA Incremental Bonus Depreciation | 195 | (16) | (14) | (13) | L5-L7 |
| 9 | 2011 Additions | | | | | |
| 10 | TRA Qualified Capital Additions | | 1,241 | | | Attachment 6, L2 |
| 11 | TRA Bonus Depreciation Factor | | 100% | 0% | 0% | ED ROs |
| 12 | TRA Bonus Depreciation Amount | | 1,241 | 0 | 0 | L10*L11 |
| 13 | Standard Depreciation Factor | | 4.04% | 7.76% | 7.13% | ED ROs |
| 14 | Standard Depreciation | | 50 | 96 | 88 | L10*L13 |
| 15 | TRA Incremental Bonus Depreciation | | 1,191 | (96) | (88) | L12-L14 |
| 16 | 2012 Additions | | | | | |
| 17 | TRA Qualified Capital Additions | | | 1,241 | | Attachment 6, L2 |
| 18 | TRA Bonus Depreciation Factor | | | 52.02% | 3.88% | ED ROs |
| 19 | TRA Bonus Depreciation Amount | | | 646 | 48 | L17*L18 |
| 20 | Standard Depreciation Factor | | | 4.04% | 7.76% | ED ROs |
| 21 | Standard Depreciation | | | 50 | 96 | L17*L20 |
| 22 | TRA Incremental Bonus Depreciation | | | 596 | (48) | L19-L21 |
| 23 | Total TRA Incremental Depreciation | 195 | 1,175 | 485 | (150) | L8+L15+L22 |
| 24 | | | | | | |
| 25 | Incremental Deferred Tax | | | | | |
| 26 | Tax Rate | 35% | 35% | 35% | 35% | Attachment 8, L5 |
| 27 | Current Year Deferred Tax | 68 | 411 | 170 | (52) | L24*L26 |
| 28 | Accumulated Deferred Tax | 68 | 480 | 649 | 597 | ACC(L27) |
| 29 | Rate Base Adjustment - Average Year | | | | | |
| 30 | Deferred Taxes | | (240) | (550) | (627) | Previous Year L28 Plus 41.66% of Current Year L27 (Negative |
| 31 | | | | | | |
| 32 | Net Operating Loss (NOL) | | | | | |
| 33 | Adopted Taxable Income | | 803 | 803 | 803 | Inputs L5 |
| 34 | Less: Additional Investment Tax Deductible Loss | | 0 | 0 | 0 | RO Taxable Income as % times Incremental Plant |
| 35 | Less: TRA Bonus Depreciation on Adopted Additions | | (1,175) | (485) | 150 | L23 |
| 36 | Less: TRA Bonus Depreciation on Additional Investment | | 0 | 0 | | L50*L11 and L54*L18 |
| 37 | Carry-Forward | | (372) | 319 | 953 | sum(L33:L36) |
| 38 | Accumulated Carry-Forward | | | | | |
| 39 | Tax Rate | | | | | |
| 40 | Deferred Tax Adjustment | | | | | |
| 41 | NOL Deferred Tax Asset | | 29 | 40 | 0 | Proportion from Summary L41 |
| 42 | | | | | | |
| 43 | Total Rate Base Adjustment | | (211) | (510) | (627) | L30+L41 |
| 44 | Pre-Tax Cost of Capital (%) | | 12.92% | 12.92% | 12.92% | Attachment 8 |
| 45 | **Change in Annual RRQ on Adopted Capital Additions** | | (27) | (66) | (81) | L43*L44 |
| 46 | Accumulated Revenue Requirements on Adopted Additions | | (27) | (93) | (174) | ACC(L45) |
| 47 | | | | | | |
| 48 | **B. Additional Utility Infrastructure Investment** | | | | | |
| 49 | 2011 Additions | | | | | |
| 50 | TRA Qualified Capital Additions | | 0 | | | Inputs L12 |
| 51 | Annual Revenue Requirements Factor | | 5.86% | 11.59% | 11.30% | ED ROs |
| 52 | Revenue Requirements | | 0 | 0 | 0 | L50*L51 |
| 53 | 2012 Additions | | | | | |
| 54 | TRA Qualified Capital Additions | | | 0 | | Inputs L12 |
| 55 | Annual Revenue Requirements Factor | | | 6.95% | 13.67% | ED ROs |
| 56 | Revenue Requirements | | | 0 | 0 | L54*L55 |
| 57 | | | | | | |
| 58 | **Annual RRQ on Additional Investment** | | 0 | 0 | 0 | L52+L56 |
| 59 | | | | | | |
| 60 | **C. Other RRQ Impacts Resulting from Taking Bonus Depreciation** | | | | | |
| 61 | Manufacturer's Tax Deduction Adjustment | | N/A | N/A | N/A | |
| 62 | Working Cash Adjustment | | 11 | 5 | (2) | Proportion from Summary L62 |
| 63 | ITCC Adjustment | | 7 | 9 | 11 | Inputs L27 |
| 64 | **Change in Annual RRQ on Other Impacts** | | 18 | 15 | 10 | sum(L61:L63) |
| 65 | | | | | | |
| 66 | **Total Change in Annual Revenue Requirements** | | **(9)** | **(51)** | **(72)** | L45+L58+L64 |
| 67 | Accumulated Revenue Requirements | | (9) | (60) | (132) | ACC(L66) |

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Gas Distribution Revenue Requirements (RRQ) Estimation Model**
(In Millions of Dollars)

| Line No. | Description | 2010 | 2011 | 2012 | 2013 | Source |
|---|---|---|---|---|---|---|
| 1 | **A. Impact of Tax Relief Act on Adopted Additions** | | | | | |
| 2 | Sep thru Dec 2010 Additions | | | | | |
| 3 | **TRA Qualified Capital Additions** | 99 | | | | Attachment 6, L3 |
| 4 | TRA Bonus Depreciation Factor | 100% | 0% | 0% | 0% | GD ROs |
| 5 | TRA Bonus Depreciation Amount | 99 | 0 | 0 | 0 | L3*L4 |
| 6 | Pre-TRA Depreciation Factor | 52.43% | 4.63% | 4.18% | 3.77% | GD ROs |
| 7 | Pre-TRA Depreciation | 52 | 5 | 4 | 4 | L3*L6 |
| 8 | TRA Incremental Bonus Depreciation | 47 | (5) | (4) | (4) | L5-L7 |
| 9 | 2011 Additions | | | | | |
| 10 | TRA Qualified Capital Additions | | 341 | | | Attachment 6, L3 |
| 11 | TRA Bonus Depreciation Factor | | 100% | 0% | 0% | GD ROs |
| 12 | TRA Bonus Depreciation Amount | | 341 | 0 | 0 | L10*L11 |
| 13 | Standard Depreciation Factor | | 4.86% | 9.25% | 8.35% | GD ROs |
| 14 | Standard Depreciation | | 17 | 32 | 28 | L10*L13 |
| 15 | TRA Incremental Bonus Depreciation | | 324 | (32) | (28) | L12-L14 |
| 16 | 2012 Additions | | | | | |
| 17 | TRA Qualified Capital Additions | | | 341 | | Attachment 6, L3 |
| 18 | TRA Bonus Depreciation Factor | | | 52.43% | 4.63% | GD ROs |
| 19 | TRA Bonus Depreciation Amount | | | 179 | 16 | L17*L18 |
| 20 | Standard Depreciation Factor | | | 4.86% | 9.25% | GD ROs |
| 21 | Standard Depreciation | | | 17 | 32 | L17*L20 |
| 22 | TRA Incremental Bonus Depreciation | | | 162 | (16) | L19-L21 |
| 23 | Total TRA Incremental Depreciation | 47 | 320 | 127 | (48) | L8+L15+L22 |
| 24 | | | | | | |
| 25 | Incremental Deferred Tax | | | | | |
| 26 | Tax Rate | 35% | 35% | 35% | 35% | Attachment 8, L5 |
| 27 | Current Year Deferred Tax | 17 | 112 | 44 | (17) | L24*L26 |
| 28 | Accumulated Deferred Tax | 17 | 128 | 173 | 156 | ACC(L27) |
| 29 | Rate Base Adjustment - Average Year | | | | | |
| 30 | Deferred Taxes | | (63) | (147) | (166) | Previous Year L28 Plus 41.66% of Current Year L27 (Negative |
| 31 | | | | | | |
| 32 | Net Operating Loss (NOL) | | | | | |
| 33 | Adopted Taxable Income | | 212 | 212 | 212 | Inputs L6 |
| 34 | Less: Additional Investment Tax Deductible Loss | | 0 | 0 | 0 | RO Taxable Income as % times Incremental Plant |
| 35 | Less: TRA Bonus Depreciation on Adopted Additions | | (320) | (127) | 48 | L23 |
| 36 | Less: TRA Bonus Depreciation on Additional Investment | | 0 | 0 | | L50*L11 and L54*L18 |
| 37 | Carry-Forward | | (108) | 86 | 260 | sum(L33:L36) |
| 38 | Accumulated Carry-Forward | | | | | |
| 39 | Tax Rate | | | | | |
| 40 | Deferred Tax Adjustment | | | | | |
| 41 | NOL Deferred Tax Asset | | 8 | 11 | 0 | Proportion from Summary L41 |
| 42 | | | | | | |
| 43 | Total Rate Base Adjustment | | (56) | (136) | (166) | L30+L41 |
| 44 | Pre-Tax Cost of Capital (%) | | 12.92% | 12.92% | 12.92% | Attachment 8 |
| 45 | **Change in Annual RRQ on Adopted Capital Additions** | | (7) | (18) | (21) | L43*L44 |
| 46 | Accumulated Revenue Requirements on Adopted Additions | | (7) | (25) | (46) | ACC(L45) |
| 47 | | | | | | |
| 48 | **B. Additional Utility Infrastructure Investment** | | | | | |
| 49 | 2011 Additions | | | | | |
| 50 | TRA Qualified Capital Additions | | 0 | | | Inputs L13 |
| 51 | Annual Revenue Requirements Factor | | 6.03% | 11.91% | 11.60% | GD ROs |
| 52 | Revenue Requirements | | 0 | 0 | 0 | L50*L51 |
| 53 | 2012 Additions | | | | | |
| 54 | TRA Qualified Capital Additions | | | 0 | | Inputs L13 |
| 55 | Annual Revenue Requirements Factor | | | 7.11% | 13.96% | GD ROs |
| 56 | Revenue Requirements | | | 0 | 0 | L54*L55 |
| 57 | | | | | | |
| 58 | **Annual RRQ on Additional Investment** | | 0 | 0 | 0 | L52+L56 |
| 59 | | | | | | |
| 60 | **C. Other RRQ Impacts Resulting from Taking Bonus Depreciation** | | | | | |
| 61 | Manufacturer's Tax Deduction Adjustment | | N/A | N/A | N/A | |
| 62 | Working Cash Adjustment | | 3 | 1 | (1) | Proportion from Summary L62 |
| 63 | ITCC Adjustment | | 2 | 2 | 3 | Inputs L28 |
| 64 | **Change in Annual RRQ on Other Impacts** | | 5 | 4 | 2 | sum(L61:L63) |
| 65 | | | | | | |
| 66 | **Total Change in Annual Revenue Requirements** | | **(2)** | **(14)** | **(19)** | L45+L58+L64 |
| 67 | Accumulated Revenue Requirements | | (2) | (16) | (35) | ACC(L66) |

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Gas Transmission & Storage Revenue Requirements (RRQ) Estimation Model**
(In Millions of Dollars)

| Line No. | Description | 2010 | 2011 | 2012 | 2013 | 2014 | Source |
|---|---|---|---|---|---|---|---|
| 1 | **A. Impact of Tax Relief Act on Adopted Additions** | | | | | | |
| 2 | Sep thru Dec 2010 Additions | | | | | | |
| 3 | **TRA Qualified Capital Additions** | 146 | | | | | Attachment 6, L5 |
| 4 | TRA Bonus Depreciation Factor | 100% | 0% | 0% | 0% | 0% | GT ROs |
| 5 | TRA Bonus Depreciation Amount | 146 | 0 | 0 | 0 | 0 | L3*L4 |
| 6 | Pre-TRA Depreciation Factor | 52.60% | 4.93% | 4.42% | 3.96% | 3.55% | GT ROs |
| 7 | Pre-TRA Depreciation | 77 | 7 | 6 | 6 | 5 | L3*L6 |
| 8 | TRA Incremental Bonus Depreciation | 69 | (7) | (6) | (6) | (5) | L5-L7 |
| 9 | 2011 Additions | | | | | | |
| 10 | TRA Qualified Capital Additions | | 144 | | | | Attachment 6, L5 |
| 11 | TRA Bonus Depreciation Factor | | 100% | 0% | 0% | 0% | GT ROs |
| 12 | TRA Bonus Depreciation Amount | | 144 | 0 | 0 | 0 | L10*L11 |
| 13 | Standard Depreciation Factor | | 5.20% | 9.86% | 8.83% | 7.91% | GT ROs |
| 14 | Standard Depreciation | | 8 | 14 | 13 | 11 | L10*L13 |
| 15 | TRA Incremental Bonus Depreciation | | 137 | (14) | (13) | (11) | L12-L14 |
| 16 | 2012 Additions | | | | | | |
| 17 | TRA Qualified Capital Additions | | | 115 | | | Attachment 6, L5 |
| 18 | TRA Bonus Depreciation Factor | | | 52.60% | 4.93% | 4.42% | GT ROs |
| 19 | TRA Bonus Depreciation Amount | | | 60 | 6 | 0 | L17*L18 |
| 20 | Standard Depreciation Factor | | | 5.20% | 9.86% | 8.83% | GT ROs |
| 21 | Standard Depreciation | | | 6 | 11 | 10 | L17*L20 |
| 22 | TRA Incremental Bonus Depreciation | | | 54 | (6) | (10) | L19-L21 |
| 23 | Total TRA Incremental Depreciation | 69 | 130 | 34 | (24) | (27) | L8+L15+L22 |
| 24 | | | | | | | |
| 25 | Incremental Deferred Tax | | | | | | |
| 26 | Tax Rate | 35% | 35% | 35% | 35% | 35% | Attachment 8, L5 |
| 27 | Current Year Deferred Tax | 24 | 45 | 12 | (8) | (9) | L24*L26 |
| 28 | Accumulated Deferred Tax | 24 | 70 | 81 | 73 | 64 | ACC(L27) |
| 29 | Rate Base Adjustment - Average Year | | | | | | |
| 30 | Deferred Taxes | | (43) | (74) | (78) | (69) | Previous Year L28 Plus 41.66% of Current Year L27 (Negative) |
| 31 | | | | | | | |
| 32 | Net Operating Loss (NOL) | | | | | | |
| 33 | Adopted Taxable Income | | 132 | 132 | 132 | 132 | Inputs L7 |
| 34 | Less: Additional Investment Tax Deductible Loss | | 0 | 0 | 0 | 0 | RO Taxable Income as % times Incremental Plant |
| 35 | Less: TRA Bonus Depreciation on Adopted Additions | | (130) | (34) | 24 | 27 | L23 |
| 36 | Less: TRA Bonus Depreciation on Additional Investment | | 0 | 0 | | | L50*L11 and L54*L18 |
| 37 | Carry-Forward | | 2 | 98 | 156 | 159 | sum(L33:L36) |
| 38 | Accumulated Carry-Forward | | | | | | |
| 39 | Tax Rate | | | | | | |
| 40 | Deferred Tax Adjustment | | | | | | |
| 41 | NOL Deferred Tax Asset | | 5 | 7 | 0 | N/A | Proportion from Summary L41 |
| 42 | | | | | | | |
| 43 | Total Rate Base Adjustment | | (38) | (68) | (78) | (69) | L30+L41 |
| 44 | Pre-Tax Cost of Capital (%) | | 12.92% | 12.92% | 12.92% | 12.92% | Attachment 8 |
| 45 | **Change in Annual RRQ on Adopted Capital Additions** | | (5) | (9) | (10) | (9) | L43*L44 |
| 46 | Accumulated Revenue Requirements on Adopted Additions | | (5) | (14) | (24) | (33) | ACC(L45) |
| 47 | | | | | | | |
| 48 | **B. Additional Utility Infrastructure Investment** | | | | | | |
| 49 | 2011 Additions | | | | | | |
| 50 | TRA Qualified Capital Additions | | 0 | | | | Inputs L14 |
| 51 | Annual Revenue Requirements Factor | | 5.22% | 10.36% | 10.19% | 9.99% | GT ROs |
| 52 | Revenue Requirements | | 0 | 0 | 0 | 0 | L50*L51 |
| 53 | 2012 Additions | | | | | | |
| 54 | TRA Qualified Capital Additions | | | 0 | | | Inputs L14 |
| 55 | Annual Revenue Requirements Factor | | | 6.29% | 12.39% | 12.01% | GT ROs |
| 56 | Revenue Requirements | | | 0 | 0 | 0 | L54*L55 |
| 57 | | | | | | | |
| 58 | **Annual RRQ on Additional Investment** | | 0 | 0 | 0 | 0 | L52+L56 |
| 59 | | | | | | | |
| 60 | **C. Other RRQ Impacts Resulting from Taking Bonus Depreciation** | | | | | | |
| 61 | Manufacturer's Tax Deduction Adjustment | | N/A | N/A | N/A | N/A | |
| 62 | Working Cash Adjustment | | 2 | 1 | (0) | N/A | Proportion from Summary L62 |
| 63 | ITCC Adjustment | | N/A | N/A | N/A | N/A | |
| 64 | **Change in Annual RRQ on Other Impacts** | | 2 | 1 | (0) | 0 | sum(L61:L63) |
| 65 | | | | | | | |
| 66 | **Total Change in Annual Revenue Requirements** | | **(3)** | **(8)** | **(10)** | **(9)** | L45+L58+L64 |
| 67 | Accumulated Revenue Requirements | | (3) | (11) | (21) | (30) | ACC(L66) |

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Revenue Requirements Estimation Model**
**Model Assumptions and Inputs**
(In Millions of Dollars)

| Line No. | | | 2010 | 2011 | 2012 | 2013 | Source |
|---|---|---|---|---|---|---|---|
| 1 | **A.** | **Impact of Tax Relief Act on Adopted Additions** | | | | | |
| 2 | | | | | | | |
| 3 | | **Adopted Taxable Income** | | | | | |
| 4 | | Electric Generation | 198 | 368 | | | 2011 GRC RO Model; Decision 11-05-018, Attachment 2, Table 3-3, Col (B), L42 |
| 5 | | Electric Distribution | 621 | 803 | | | 2011 GRC RO Model; Decision 11-05-018, Attachment 4, Table 1-3 (ADOPTED), Col (B), L42 |
| 6 | | Gas Distribution | 166 | 212 | | | 2011 GRC RO Model; Decision 11-05-018, Attachment 2, Table 2-3, Col (B), L42 |
| 7 | | Gas Transmission | 132 | 132 | | | 2011 GT&S RO Model (Decision 11-04-031) |
| 8 | | Total | 1,118 | 1,515 | | | |
| 9 | | | | | | | |
| 10 | **B.** | **Incremental Additional Infrastructure Investment** | | | | | |
| 11 | | Electric Generation | | | | | Electric Generation Input for Section B Incremental Infrastructure Investment |
| 12 | | Electric Distribution | | | | | Electric Distribution Input for Section B Incremental Infrastructure Investment |
| 13 | | Gas Distribution | | | | | Gas Distribution Input for Section B Incremental Infrastructure Investment |
| 14 | | Gas Transmission | | | | | Gas Transmission and Storage Input for Section B Incremental Infrastructure Investment |
| 15 | | **Total** | | - | - | | |
| 16 | | | | | | | |
| 17 | **C.** | **Other RRQ Impacts Resulting from Taking Bonus Depreciation** | | | | | |
| 18 | | | | | | | |
| 19 | **i** | **Manufacturer's Tax Deduction (%)** | | | | | |
| 20 | | Electric Generation | | 9% | 9% | 9% | |
| 21 | | | | | | | |
| 22 | **ii** | **Working Cash - Ratebase Impact (%)** | | | | | |
| 23 | | Federal Income Tax | | 19% | | | Attachment 10 |
| 24 | | Deferred Federal Income Taxes | | 11% | | | Attachment 10 |
| 25 | | | | | | | |
| 26 | **iii** | **ITCC** | | | | | |
| 27 | | Electric Distribution | | 7 | 9 | 11 | Attachment 12 |
| 28 | | Gas Distribution | | 2 | 2 | 3 | Attachment 12 |
| 29 | | Total | | 9 | 12 | 14 | |

# Advice 3216-G-A/3859-E-A

### Attachment 6

### Forecasted/Adopted Capital Additions (2011 GRC and 2011 GT&S)

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Forecasted/Adopted Capital Additions (2011 GRC and 2011 GT&S)**
($ in millions)

| Line No. | | Forecasted/Adopted Capital Additions 2010 Sep-Dec | 2011 | 2012 | Audit Experience Factor (%) | TRA** Qualified Capital Additions 2010 Sep-Dec | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (a x d) | (b x d) | (c x d) |
| | **2011 General Rate Case** | | | | | | | |
| 1 | Electric Generation* | 292 | 336 | 336 | 86.35% | 253 | 290 | 290 |
| 2 | Electric Distribution | 426 | 1,301 | 1,301 | 95.40% | 406 | 1,241 | 1,241 |
| 3 | Gas Distribution | 105 | 360 | 360 | 94.75% | 99 | 341 | 341 |
| 4 | Sub-total | 823 | 1,997 | 1,997 | | 758 | 1,873 | 1,873 |
| | **2011 Gas Transmission & Storage Rate Case** | | | | | | | |
| 5 | Gas Transmission & Storage | 152 | 151 | 120 | 95.60% | 146 | 144 | 115 |
| 6 | **Total** | **975** | **2,149** | **2,117** | | **903** | **2,017** | **1,987** |

* Colusa Generating Plant was excluded from 2010 Capital Additions since it was constructed over the 2008 thru 2010 period. More than 90% of the project cost was incurred prior to September 8, 2010.

** TRA is the same as the Tax Relief Act.

SB_GT&S_0605278

# Advice 3216-G-A/3859-E-A

**Attachment 7**

**Capital Additions by Line of Business (LOB) and Major Work Category (MWC)**

**New MWCs may replace current MWCs listed below so as to provide greater reporting granularity. (See PG&E's Budget Report filed with the CPUC on August 3, 2011)**

**Pacific Gas & Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Capital Additions by Line of Business (LOB) and Major Work Category (MWC)**
($ in thousands)

| Line No. | | Major Work Category | Section B: Incremental Investment Eligibility | Adopted Capital Additions 2011 Direct Including General | Common Allocation | Total | 2012 Direct Including General | Common Allocation | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (d = b+c) | (e) | (f) | (g = e+f) |
| | | **2011 General Rate Case (GRC)** | | | | | | | |
| | | Electric Distribution | | | | | | | |
| 1 | 03 | Office Furniture & Equipment | Ancillary | - | 36 | 36 | - | 36 | 36 |
| 2 | 04 | Fleet / Auto Equip | Ancillary | - | 44,326 | 44,326 | - | 44,326 | 44,326 |
| 3 | 05 | Tools & Equipment | Ancillary | 1,296 | 1,442 | 2,738 | 1,296 | 1,442 | 2,738 |
| 4 | 06 | E Distr New Capacity - Line | Eligible | 86,363 | - | 86,363 | 86,363 | - | 86,363 |
| 5 | 07 | E Dist Replace/Reinforce Poles | Eligible | 54,121 | - | 54,121 | 54,121 | - | 54,121 |
| 6 | 08 | E Dist Mitigate Recur Outages | Eligible | 12,000 | - | 12,000 | 12,000 | - | 12,000 |
| 7 | 09 | E Dist Automation & Protection | Ancillary | 30,991 | - | 30,991 | 30,991 | - | 30,991 |
| 8 | 10 | E Dist Work Requested by Other[3] | Eligible | 58,388 | - | 58,388 | 58,388 | - | 58,388 |
| 9 | 12 | Implement Environment Projects | Eligible | - | 1,206 | 1,206 | - | 1,206 | 1,206 |
| 10 | 16 | E Dist Customer Connects[3] | Eligible | 288,706 | - | 288,706 | 288,706 | - | 288,706 |
| 11 | 17 | E Dist Emergency Response | Eligible | 112,061 | - | 112,061 | 112,061 | - | 112,061 |
| 12 | 19 | Special Programs | Ineligible | (3,453) | - | (3,453) | (3,453) | - | (3,453) |
| 13 | 21 | Purchase/Install-Other Capital | Ancillary | 114 | - | 114 | 114 | - | 114 |
| 14 | 25 | Install New Electric Meters[3] | Eligible | 19,044 | - | 19,044 | 19,044 | - | 19,044 |
| 15 | 28 | EV - Station Infrastructure | Ineligible | 996 | - | 996 | 996 | - | 996 |
| 16 | 30 | E Dist WRO - Rule 20A | Eligible | 72,107 | - | 72,107 | 72,107 | - | 72,107 |
| 17 | 46 | E Distr New Capacity - Substat | Eligible | 111,373 | - | 111,373 | 111,373 | - | 111,373 |
| 18 | 48 | E Dist Replace Subst Equipment | Eligible | 15,852 | - | 15,852 | 15,852 | - | 15,852 |
| 19 | 49 | E T&D Mainline Prot & Rebuild | Eligible | 27,137 | - | 27,137 | 27,137 | - | 27,137 |
| 20 | 53 | IT - Applications | Ancillary | 5,605 | 5,020 | 10,624 | 5,605 | 5,020 | 10,624 |
| 21 | 54 | E Dist Replace Subst Transform | Eligible | 67,151 | - | 67,151 | 67,151 | - | 67,151 |
| 22 | 56 | E Dist Replace Underground Cbl | Eligible | 46,576 | - | 46,576 | 46,576 | - | 46,576 |
| 23 | 57 | E Dist Prev Maintenance-Facts | Eligible | 117,467 | - | 117,467 | 117,467 | - | 117,467 |
| 24 | 58 | E Dist Repl Substation Safety | Eligible | 5,757 | - | 5,757 | 5,757 | - | 5,757 |
| 25 | 59 | E Dist Repl Subst-Emergency | Eligible | 28,900 | - | 28,900 | 28,900 | - | 28,900 |
| 26 | 78 | Manage Buildings | Ancillary | - | 9,482 | 9,482 | - | 9,482 | 9,482 |
| 27 | 79 | Land Management | Ineligible | - | 2,375 | 2,375 | - | 2,375 | 2,375 |
| 28 | 85 | IT - Infrastructure | Ancillary | 2,873 | 37,935 | 40,808 | 2,873 | 37,935 | 40,808 |
| 29 | 87 | Office Equipment | Ancillary | 4,396 | 85 | 4,481 | 4,396 | 85 | 4,481 |
| 30 | 88 | Office Furniture | Ancillary | - | 1,769 | 1,769 | - | 1,769 | 1,769 |
| 31 | 95 | ED Major Emergency[3] | Eligible | 31,616 | - | 31,616 | 31,616 | - | 31,616 |
| 32 | | **Sub-total Electric Distribution** | | 1,197,437 | 103,675 | 1,301,112 | 1,197,437 | 103,675 | 1,301,112 |
| | | Gas Distribution | | | | | | | |
| 33 | 03 | Office Furniture & Equipment | Ancillary | - | 18 | 18 | - | 18 | 18 |
| 34 | 04 | Fleet / Auto Equip | Ancillary | - | 21,728 | 21,728 | - | 21,728 | 21,728 |
| 35 | 05 | Tools & Equipment | Ancillary | 1,060 | 707 | 1,767 | 1,060 | 707 | 1,767 |
| 36 | 12 | Implement Environment Projects | Eligible | - | 591 | 591 | - | 591 | 591 |
| 37 | 14 | Gas Pipeline Replacement Pgm | Eligible | 118,432 | - | 118,432 | 118,432 | - | 118,432 |
| 38 | 19 | Special Programs | Ineligible | (2,825) | - | (2,825) | (2,825) | - | (2,825) |
| 39 | 21 | Purchase/Install-Other Capital | Ancillary | 94 | - | 94 | 94 | - | 94 |
| 40 | 27 | Gas Meter Protection-Capital | Eligible | 570 | - | 570 | 570 | - | 570 |
| 41 | 29 | G Dist Customer Connects[3] | Eligible | 61,579 | - | 61,579 | 61,579 | - | 61,579 |
| 42 | 31 | NGV - Station Infrastructure | Eligible | 3,534 | - | 3,534 | 3,534 | - | 3,534 |
| 43 | 47 | G Dist New Capacity - Gas | Eligible | 12,266 | - | 12,266 | 12,266 | - | 12,266 |
| 44 | 50 | G Dist Reliability | Eligible | 19,849 | - | 19,849 | 19,849 | - | 19,849 |
| 45 | 51 | G Dist Work Requested by Other[3] | Eligible | 20,511 | - | 20,511 | 20,511 | - | 20,511 |
| 46 | 52 | G Dist Emergency Response | Eligible | 253 | - | 253 | 253 | - | 253 |
| 47 | 53 | IT - Applications | Ancillary | 4,586 | 2,461 | 7,046 | 4,586 | 2,461 | 7,046 |
| 48 | 74 | Install New Gas Meters[3] | Eligible | 65,614 | - | 65,614 | 65,614 | - | 65,614 |
| 49 | 78 | Manage Buildings | Ancillary | - | 4,648 | 4,648 | - | 4,648 | 4,648 |
| 50 | 79 | Land Management | Ineligible | - | 1,164 | 1,164 | - | 1,164 | 1,164 |
| 51 | 85 | IT - Infrastructure | Ancillary | - | 18,595 | 18,595 | - | 18,595 | 18,595 |
| 52 | 87 | Office Equipment | Ancillary | 3,597 | 42 | 3,638 | 3,597 | 42 | 3,638 |
| 53 | 88 | Office Furniture | Ancillary | - | 867 | 867 | - | 867 | 867 |
| 54 | | **Sub-total Gas Distribution** | | 309,121 | 50,819 | 359,940 | 309,121 | 50,819 | 359,940 |

**New MWCs may replace current MWCs listed below so as to provide greater reporting granularity. (See PG&E's Budget Report filed with the CPUC on August 3, 2011)**

**Pacific Gas & Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Capital Additions by Line of Business (LOB) and Major Work Category (MWC)**
($ in thousands)

| | | | | Adopted Capital Additions | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | **Section B:** | **2011** | | | **2012** | | |
| Line No. | | **Major Work Category** | **Incremental Investment Eligibility** | Direct Including General | Common Allocation | Total | Direct Including General | Common Allocation | Total |
| | | | (a) | (b) | (c) | (d = b+c) | (e) | (f) | (g = e+f) |
| | | **2011 General Rate Case (GRC)** | | | | | | | |
| | | Electric Generation | | | | | | | |
| 55 | 03 | Office Furniture & Equipment | Ancillary | 200 | 18 | 218 | 200 | 18 | 218 |
| 56 | 04 | Fleet / Auto Equip | Ancillary | 2,192 | 22,304 | 24,496 | 2,192 | 22,304 | 24,496 |
| 57 | 05 | Tools & Equipment | Ancillary | 2,831 | 726 | 3,557 | 2,831 | 726 | 3,557 |
| 58 | 11 | Power Gen Licenses & Permits | Eligible | 14,883 | - | 14,883 | 14,883 | - | 14,883 |
| 59 | 12 | Implement Environment Projects | Eligible | 8,874 | 607 | 9,481 | 8,874 | 607 | 9,481 |
| 60 | 13 | Power Gen Safety & Regulatory | Eligible | 97,096 | - | 97,096 | 97,096 | - | 97,096 |
| 61 | 20 | DCPP Capital | Eligible | 40,648 | - | 40,648 | 40,648 | - | 40,648 |
| 62 | 53 | IT - Applications | Ancillary | - | 2,526 | 2,526 | - | 2,526 | 2,526 |
| 63 | 78 | Manage Buildings | Ancillary | 10,077 | 4,771 | 14,848 | 10,077 | 4,771 | 14,848 |
| 64 | 79 | Land Management | Ineligible | - | 1,195 | 1,195 | - | 1,195 | 1,195 |
| 65 | 81 | Power Gen Maint Relabil/Avail | Eligible | 96,197 | - | 96,197 | 96,197 | - | 96,197 |
| 66 | 85 | IT - Infrastructure | Ancillary | 9,623 | 19,088 | 28,712 | 9,623 | 19,088 | 28,712 |
| 67 | 87 | Office Equipment | Ancillary | - | 43 | 43 | - | 43 | 43 |
| 68 | 88 | Office Furniture | Ancillary | 1,546 | 890 | 2,436 | 1,546 | 890 | 2,436 |
| 69 | | **Sub-total Electric Generation** | | 284,168 | 52,167 | 336,335 | 284,168 | 52,167 | 336,335 |
| 70 | | **Chargebacks** | Ineligible | (4,664) | - | (4,664) | (4,664) | - | (4,664) |
| 71 | | **Total 2011 General Rate Case** | | 1,786,061 | 206,662 | 1,992,723 | 1,786,061 | 206,662 | 1,992,723 |
| | | **2011 Gas Transmission & Storage (GT&S) Rate Case** | | | | | | | |
| 72 | 03 | Office Furniture & Equipment | Ancillary | | 3 | 3 | | 1 | 1 |
| 73 | 04 | Fleet / Auto Equip | Ancillary | | 4,293 | 4,293 | | 1,741 | 1,741 |
| 74 | 05 | Tools & Equipment | Ancillary | 294 | 140 | 433 | 314 | 356 | 670 |
| 75 | 12 | Implement Environment Projects | Eligible | 4,345 | 117 | 4,462 | 7,405 | 46 | 7,451 |
| 76 | 53 | IT - Applications | Ancillary | | 486 | 486 | | 373 | 373 |
| 77 | 26 | G Trans - New Business[3] | Eligible | 29,184 | | 29,184 [1] | 3,235 | | 3,235 |
| 78 | 73 | G Trans New Capacity - Gas | Eligible | 16,065 | | 16,065 | 4,718 | | 4,718 |
| 79 | 75 | G Trans Reliability - Pipeline | Eligible | 13,368 | | 13,368 | 28,688 | | 28,688 |
| 80 | 76 | G Trans Reliability - Station | Eligible | 42,031 | 683 | 42,715 [2] | 33,518 | 1,299 | 34,817 |
| 81 | 78 | Manage Buildings | Ancillary | 300 | 918 | 1,218 | 103 | 2,595 | 2,698 |
| 82 | 79 | Land Management | Ineligible | | 230 | 230 | | | 0 |
| 83 | 83 | G Trans Work Requested by Othr[3] | Eligible | 8,961 | | 8,961 | 8,593 | | 8,593 |
| 84 | 84 | G Trans Gathering System | Eligible | 2,248 | | 2,248 | 2,159 | | 2,159 |
| 85 | 85 | IT - Infrastructure | Ancillary | | 3,674 | 3,674 | | 1,137 | 1,137 |
| 86 | 87 | Office Equipment | Ancillary | | 8 | 8 | | 2 | 2 |
| 87 | 88 | Office Furniture | Ancillary | | 171 | 171 | | 67 | 67 |
| 88 | 91 | Pwr Gen Metering:PG&E Rev Mtrs | Eligible | 2,280 | | 2,280 | 921 | | 921 |
| 89 | 98 | Pipeline Integrity Pgm Mgmt | Eligible | 21,183 | | 21,183 | 22,362 | | 22,362 |
| 90 | 96 | Separately Funded Capital | Ineligible | 165 | | 165 | 175 | | 175 |
| 91 | | **Total 2011 Gas Trans. & Storage Rate Case** | | 140,423 | 10,724 | 151,147 | 112,190 | 7,617 | 119,807 |
| 92 | | **GRAND TOTAL 2011 GRC & 2011 GT&S Cases** | | **1,926,484** | **217,386** | **2,143,870** | **1,898,252** | **214,279** | **2,112,530** |

Notes:

1 Exclude GT&S adder projects (See GT&S Settlement Decision 11-04-031, Appendix A, p.8 - p.10).

2 Exclude Delevan K2 project

3 These MWC's include capital expenditures that are generally eligible for bonus depreciation but will be ineligible for incremental capital additions in Section B of the memorandum account because spending in these areas is almost entirely driven by exogenous events (new customer connections, major storm activity, etc.) and not influenced by savings available under the Tax Relief Act. Deferred tax benefits related to adopted plant additions in these MWCs will still be captured in Section A of the account.

# Advice 3216-G-A/3859-E-A

## Attachment 8

## Adopted Cost of Capital

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Adopted Cost of Capital (Decision 09-10-016)**

| Line No. | Description | Capitalization | Cost | Weighted Cost | Tax Gross-up Factor | Pre-Tax Cost |
|---|---|---|---|---|---|---|
| | | (a) | (b) | (c = a x b) | (d) | (e = c x d) |
| 1 | Debt | 46.00% | 6.05% | 2.78% | 1.00 | 2.78% |
| 2 | Preferred | 2.00% | 5.68% | 0.11% | 1.69 | 0.19% |
| 3 | Common Equity | 52.00% | 11.35% | 5.90% | 1.69 | 9.96% |
| 4 | Total | 100.00% | | 8.79% | | **12.92%** |
| | | | | | | (To Attachment 5) |
| | Tax Gross-up Factor | | | | | |
| 5 | Federal Income Tax Rate | 35.00% | | | | |
| 6 | State Income Tax Rate | 8.84% | | | | |
| 7 | Composite Rate | 40.75% | | | | |
| 8 | Factor* | 1.69 | | | | |
| 9 | Factor Excluding State Dedn for FIT* | 1.78 | (Used for Sec. 199 Manufacturer's Tax Deduction Calculation) | | | |

* Note: Excludes Franchise Fees and Uncollectibles

# Advice 3216-G-A/3859-E-A

## Attachment 9

## Section 199 Manufacturer's Tax Deduction (MTD) Benefit on Electric Generation

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**Section 199 Manufacturer's Tax Deduction (MTD) Benefit on Electric Generation**
(In Millions of Dollars)

| Line No. | Description | Year 2011 | Source |
|---|---|---|---|
| 1 | Adopted Federal Taxable Income | 367.7 | 2011 GRC Settlement Decision RO |
| 2 | x Mfg. Dedn. % | 0.1 | Manufacturer's Tax Deduction (%) |
| 3 | Mfg. Dedn. | 33.1 | L1*L2 |
| 4 | x Federal Income Tax Rate | 0.4 | |
| 5 | Tax Benefit | 11.6 | L3*L4 |
| 6 | x Tax Gross-up factor | 1.8 | |
| 7 | **MTD Benefit** | **(20.6)** | L5*L6 |

# Advice 3216-G-A/3859-E-A

**Attachment 10**

**Working Cash**

# Pacific Gas and Electric Company
# Tax Act Memorandum Account (TAMA)
# Working Cash
# 2011 GRC Settlement Bonus Depreciation Update

Pacific Gas and Electric Company
2011 CPUC General Rate Case (SETTLEMENT)
Year 2011 Lead Lag Study at Proposed Rates
Total Company GRC
(Thousands of Dollars)

FIT Percentage = Ratebase change divided by FIT change:
**19%** = 93,401 / 486,778

Deferred FIT Percentage = Ratebase change divided by deferred income tax change:
**11%** = 66,676 / 596,310

| Line No. | | Amount (A) | Average Daily Amount (B) | Avg No of Days Lag in Paying Expenses (C) | Weighted Average (D) | Rate Base Impact (E) | Line No. |
|---|---|---|---|---|---|---|---|
| 1 | Natural Gas Purchased | 0 | 0 | 41.17 | 0 | 0 | 1 |
| 2 | Fuel Oil | 0 | 0 | 15.45 | 0 | 0 | 2 |
| 3 | Geothermal Steam | 0 | 0 | 45.54 | 0 | 0 | 3 |
| 4 | Nuclear Fuel | 0 | 0 | 30.00 | 0 | 0 | 4 |
| 5 | Purchased Power | 0 | 0 | 40.48 | 0 | 0 | 5 |
| 6 | Depreciation | 0 | 0 | 0.00 | 0 | 0 | 6 |
| 7 | Decommissioning | 0 | 0 | 30.59 | 0 | 0 | 7 |
| 8 | Federal Income Tax, Current @ Proposed | (486,778) | (1,334) | 110.85 | (147,830) | 93,401 | 8 |
| 9 | State Corp. Franchise Tax @ Proposed | 259 | 1 | 104.82 | 74 | (45) | 9 |
| 10 | Income Taxes, Deferred | 596,310 | 1,634 | 0.00 | 0 | 66,676 | 10 |
| 11 | Ad Valorem Tax | 0 | 0 | 44.24 | 0 | 0 | 11 |
| 12 | S.F. Payroll Expense Tax | 0 | 0 | 88.62 | 0 | 0 | 12 |
| 13 | FICA Tax (net of | 0 | 0 | 12.62 | 0 | 0 | 13 |
| 14 | Federal Unemplo | 0 | 0 | 75.08 | 0 | 0 | 14 |
| 15 | State Unemployr | 0 | 0 | 76.08 | 0 | 0 | 15 |
| 16 | Settlements and | 0 | 0 | 27.91 | 0 | 0 | 16 |
| 17 | Pensions | 0 | 0 | 61.01 | 0 | 0 | 17 |
| 18 | Savings Fund Plan | 0 | 0 | 11.62 | 0 | 0 | 18 |
| 19 | Group Life Insurance | 0 | 0 | 0.00 | 0 | 0 | 19 |
| 20 | Health, Vision & Dental Plans | 0 | 0 | (0.38) | 0 | 0 | 20 |
| 21 | Post-Retirement Medical | 0 | 0 | 174.50 | 0 | 0 | 21 |
| 22 | Franchise Requirements | (1) | 0 | 246.36 | (1) | 1 | 22 |
| 23 | Payroll (net of STIP) | 0 | 0 | 12.16 | 0 | 0 | 23 |
| 24 | Goods and Services | 0 | 0 | 39.64 | 0 | 0 | 24 |
| 25 | Materials from Storeroom | 0 | 0 | 0.00 | 0 | 0 | 25 |
| 26 | FICA Tax (STIP) | 0 | 0 | 167.50 | 0 | 0 | 26 |
| 27 | Short-Term Incentive Plan (STIP) | 0 | 0 | 166.80 | 0 | 0 | 27 |
| 28 | Research and Development | 0 | 0 | 0.00 | 0 | 0 | 28 |
| 29 | Project Amortization | 0 | 0 | 0.00 | 0 | 0 | 29 |
| 30 | Total | 109,790 | 301 | (491.22) | (147,756) | 160,032 | 30 |
| 31 | Avg No of Days Lag in the Collection of Revenue | | | 40.81 | | | 31 |
| 32 | Less Avg No of Days Lag in the Payment of Exps | | | (491.22) | | | 32 |
| 33 | Excess No. of Days Lag in the Collection of Revenues over the Payment of Expenses | | | 532.03 | | | 33 |
| 34 | Average Daily Operating Expenses | | 301 | | | | 34 |
| 35 | Working Cash Capital Requirement Resulting from the Lag in the Collection of Revenues Being Greater than the Lag in the Payment of Expenses | | | | | 160,032 | 35 |

# Advice 3216-G-A/3859-E-A

**Attachment 11**

**Approved Advice 3176-G3784-E**

STATE OF CALIFORNIA

Edmund G. Brown Jr., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

February 28, 2011

**Advice Letter 3176-G/3784-E**

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

**Subject: Revision of PG&E's Tariffs to Reflect the Extension of Lower ITCC Rates Due to Tax Law Changes**

Dear Ms. Yura:

Advice Letter 3176-G/3784-E is effective September 9, 2010.

Sincerely,

Julie A. Fitch, Director
Energy Division

Pacific Gas and Electric Company

**Jane K. Yura**
Vice President
Regulation and Rates

*Mailing Address*
Mail Code B10B
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.6520

December 30, 2010

**Advice 3176-G/3784-E**
Pacific Gas and Electric Company (U 39-M)

Public Utilities Commission of the State of California

**Subject:** **Revision of PG&E's Tariffs to Reflect the Extension of Lower ITCC Rates Due to Tax Law Changes**

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to Gas and Electric Preliminary Statement Parts P and J. The affected tariff sheets are listed in Attachment 1.

## Purpose

This filing is necessary in order to revise PG&E's Gas and Electric Preliminary Statements Parts P and J, *Income Tax Component of Contributions Provision*, to reflect recent changes in federal tax law. These changes temporarily extend and further reduce the tax factor used to compute the "Income Tax Component of Contribution (ITCC)" associated with Contributions in Aid of Construction.

In this advice letter, PG&E requests that the California Public Utilities Commission (Commission) further reduce the temporarily lower ITCC tax factor from 0.20 (20 percent) for gas and 0.22 (22 percent) for electric in effect on December 31, 2009 to 0.08 (8 percent) for gas and 0.08 (8 percent) for electric as a result of temporary 100% expensing provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312). This temporary 100% expensing lasts until December 31, 2011. PG&E would apply the reduced ITCC tax factor retroactive to September 9, 2010, and continue it at that level through December 31, 2011.

The Act further extends 50% bonus depreciation beginning on January 1, 2012 through December 31, 2012. As a result of this extension, the ITCC factor for both electric and gas will be 0.22 (22 percent) beginning January 1, 2012 and through December 31, 2012. Previously, the gas and electric tax factors differed because gas assets had a temporary federal tax depreciable life of 15 years, whereas electric distribution property has a life of 20 years. The temporary 15 year depreciable life for gas property expires on December 31, 2010 and was not extended. As such, on January 1, 2012 both gas and electric distribution property will have a depreciable life of 20 years, resulting in an ITCC tax factor of 0.22 (22 percent) for both gas and electric. The ITCC tax factor of 0.22 (22 percent) for gas was included in Advice Filing 2466-G/2386-E approved May 5, 2004. The reduced

ITCC tax factor has been calculated, as set forth in Attachment 2, by using Method 5 as described in Decision (D.) 87-09-026 and D.87-12-028 in OII 86-11-109.

**Background**

Since the beginning of 2008, the ITCC Rate has been modified as a result of changes in federal tax law.

- February 13, 2008 – President Bush signed into law the Economic Stimulus Act of 2008 which provided for a temporarily lower ITCC tax factor used to compute the "Income Tax Component of Contribution associated with Contributions in Aid of Construction. This legislation modified a depreciation provision, Section 168(k) to the Internal Revenue Code, entitled, "Special allowance for certain property acquired after September 10, 2001, and before January 1, 2005."

  February 22, 2008 – PG&E filed Advice 2906-G/3212-E to implement the temporarily lower ITCC tax factor of 0.20 (20 percent) for gas and 0.22 (22 percent) on property contributed to PG&E after March 1, 2008.

  March 19, 2008 – Advice 2906-G/3212-E was approved with an effective date of March 1, 2008.

- December 2, 2008 – PG&E filed Advice 2975-G/3372-E to notify the Commission that the lower ITCC tax factors under the Economic Stimulus Act of 2008 would expire on December 31, 2008 unless Congress extended the depreciation provision. With no extension under way at that time, PG&E requested that the ITCC tax factors be returned to the statutory levels of 0.31 (31 percent) for gas and 0.34 (34 percent) for electric, calculated using the current income tax rates of 8.84 percent (California) and 35 percent (federal).

  January 15, 2009 -- Advice 2975-G/3372-E was approved on January 15, 2009 with an effective date of January 1, 2009 and in effect restoring the higher tax factors.

- February 17, 2009 – President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"; H.R. 1). Section 1201 of the Recovery Act extended the modified depreciation provisions of the Economic Stimulus Act of 2008, which in turn extended the reduction of the ITCC tax factors.

  February 20, 2009 – PG&E filed Advice 2998-G/3424-E to implement the extension of the temporarily lower ITCC tax factor of 0.20 (20 percent) for gas and 0.22 (22 percent) for electric in effect as of December 31, 2008.

March 19, 2009 – Advice 2998-G/3424-E was approved and the reduced ITCC tax factors were extended with an effective date of January 1, 2009.

- December 11, 2009 – PG&E filed Advice 3070-G/3572-E, which notified the Commission that the lower ITCC tax factors under the Recovery Act would expire on December 31, 2009 unless Congress extended the depreciation provision. With no extension under way at that time, PG&E requested that the ITCC tax factors be returned to the statutory levels of 0.31 (31 percent) for gas and 0.34 (34 percent) for electric, calculated using the current income tax rates of 8.84 percent (California) and 35 percent (federal).

  The tax factor for gas in Advice 3070-G also reflected the temporary federal depreciable tax life for gas distribution property of 15 years as adopted by the Energy Tax Incentives Act of 2005. This temporary federal depreciable tax life for gas distribution property is set to sunset on December 31, 2010.

  January 7, 2010 – Advice 3070-G/3572-E was approved with an effective date of January 1, 2010 and in effect restoring the higher tax factors.

- September 27, 2010 – President Obama signed the Small Business Jobs Act of 2010 (Act) (H.R. 5297) into law. Section 2022 of the Act extends the depreciation provision (Section 168(k) of the Internal Revenue Code, entitled, "Special allowance for certain property acquired after September 10, 2001, and before January 1, 2005.") which had resulted in the temporarily lower ITCC tax factors.

- October 27, 2010 – PG&E filed Advice 3160-G/3750-E to extend the temporarily lower ITCC tax factor of 0.20 (20 percent) for gas and 0.22 (22 percent) for electric in effect as of December 31, 2009 through December 31, 2010.

  November 29, 2010 – Advice 3160-G/3750-E was approved and the reduced ITCC tax factors were extended with an effective date of January 1, 2010.

- December 17, 2010 – President Obama signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) into law. Section 401 of the Act extends the depreciation provision (Section 168(k) of the Internal Revenue Code, entitled, "Special allowance for certain property acquired after September 10, 2001, and before January 1, 2005.") which had resulted in the temporarily lower ITCC tax factors. A copy of Section 401 of the Tax Relief Act of 2010 amending Section 168(k) of the Internal Revenue Code is enclosed in Attachment 3.

In addition, the Tax Relief Act of 2010 provides for a temporary 100% expensing of property placed in service after September 8, 2010 and before January 1, 2012.

The Tax Relief Act of 2010 provides for a further reduced ITCC rate for the period September 9, 2010 through December 31, 2011, at which time the ITCC rate will revert to the temporarily reduced rate under the depreciation provisions of the American Recovery and Reinvestment Act of 2009, the Economic Stimulus Act of 2008 and the Small Business Jobs Act of 2010 to December 31, 2012.

## Tariff Revisions

Gas Preliminary Statement Part P*, Section 5. a,* has been revised to reflect a further reduction in the ITCC tax factor to 0.08 (8 percent) on property contributed to PG&E after September 8, 2010 and before January 1, 2012. Property contributed to PG&E on or after January 1, 2012, will be subject to the previously authorized ITCC tax factor of 22 percent.

In a similar fashion, Electric Preliminary Statement Part J*, Section 5. a,* has been revised to reflect a further reduction in the ITCC tax factor to 0.08 (8 percent) on property contributed to PG&E after September 8, 2010 and before January 1, 2012. Property contributed to PG&E on or after January 1, 2012, will be subject to the previously authorized ITCC tax factor of 22 percent.

## Protests

Anyone wishing to protest this filing may do so by sending a letter by **January 19, 2011**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Honesto Gatchalian, Energy Division, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Pacific Gas and Electric Company
Attention: Jane K. Yura
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-6520
E-Mail: PGETariffs@pge.com

**Effective Date**

PG&E requests that this Tier 1 advice filing become effective on **September 9, 2010**.

**Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list should be directed to email PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at http://www.pge.com/tariffs.

Jane Yura /HAB

Vice President – Regulation and Rates

Attachments:

| | |
|---|---|
| Attachment 1: | Tariff Revisions |
| Attachment 2: | The Extended ITCC Tax Factor |
| Attachment 3: | Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 |

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY
## ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

| Utility type: | Contact Person: Greg Backens |
|---|---|
| ▭ ELC ▭ GAS | Phone #: 415-973-4390 |
| ⑤ PLC ⑤ HEAT ⑤ WATER | E-mail: GAB4@pge.com |

| EXPLANATION OF UTILITY TYPE | (Date Filed/ Received Stamp by CPUC) |
|---|---|
| ELC = Electric GAS = Gas ⑤<br>PLC = Pipeline HEAT = Heat WATER = Water | |

Advice Letter (AL) #: **3176-G/3784-E** **Tier: 1**

Subject of AL: **Revision of PG&E's Tariffs to Reflect the Extension of Lower ITCC Rates Due to Tax Law Changes**

Keywords (choose from CPUC listing): **Taxes**

AL filing type: ⑤ Monthly ⑤ Quarterly ⑤ Annual ▭ One-Time ⑤ Other ____________________________

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.87-09-026, D.87-12-028

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? ⑤ Yes ▭ No

Requested effective date: **September 9, 2010** No. of tariff sheets: **6**

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: **Gas Preliminary Statement Part P – Income Tax Component of Contributions Provision, Electric Preliminary Statement Part J – Income Tax Component of Contributions Provision**

Service affected and changes proposed: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division**
**Tariff Files, Room 4005**
**DMS Branch**
**505 Van Ness Ave., San Francisco, CA 94102**
**jnj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company**
**Attn: Jane Yura, Vice President, Regulation and Rates**
**77 Beale Street, Mail Code B10B**
**P.O. Box 770000**
**San Francisco, CA 94177**
**E-mail: PGETariffs@pge.com**

| **Cal P.U.C. Sheet No.** | **Title of Sheet** | **Cancelling Cal P.U.C. Sheet No.** |
|---|---|---|
| 28729-G | GAS PRELIMINARY STATEMENT PART P INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1 | 28552-G |
| 28730-G | GAS TABLE OF CONTENTS Sheet 1 | 28660-G |
| 28731-G | GAS TABLE OF CONTENTS Sheet 4 | 28640-G |

# GAS PRELIMINARY STATEMENT PART P
## INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION



P. INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION

1. GENERAL: All Contributions in Aid of Construction (Contributions, or CIAC) made to PG&E shall include a charge to cover PG&E's resulting estimated liability for Federal and State Income Tax. PG&E shall collect the Federal Income Tax on Contributions made on or after February 11, 1987, for the unit costs under Rule 15 and January 1, 1987, for all other Contributions. California Corporate Franchise Tax shall be collected beginning January 1, 1992.

2. DEFINITIONS:

   a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and related income taxes provided by a person or agency to PG&E. The value of all contributions shall be based on PG&E's estimates or a contract value acceptable to PG&E. Contributions shall consist of two components, as follows:

      1) Income Tax Component of Contribution (ITCC); and
      2) The balance of the contribution, excluding income taxes (Balance of Contribution).

   b. Government Agency: For purposes of administering this part of the preliminary statement, a government agency shall include the Federal Government, a California state, county, or local government agency.

3. APPLICABILITY: The ITCC shall apply to Contributions including but not limited to charges under the applicable Rate Schedule and Rules, except as provided in Section 4 below.

4. GOVERNMENT AGENCY EXEMPTIONS:

   a. Public Benefit: A contribution for a project will be considered a public benefit if, in the opinion of PG&E, the government agency making the contribution can clearly show that the contribution will benefit the public as a whole. Internal Revenue Service (IRS) Notice 87-82 dated December 3, 1987, excludes from the Public Benefit Exemption any government agency contribution associated with projects causing new or increased usage of utility service.

   b. Condemnation: Contributions resulting from condemnation of company facilities, or the threat or imminence thereof may be excluded from the ITCC requirement when supported by evidence acceptable to PG&E provided by the government agency.

5. DETERMINATION OF ITCC:

   a. The ITCC shall be calculated by multiplying the Balance of Contribution by the tax factor of 0.08 (8 percent). The 8 percent tax factor shall be applicable to contributions received by (T)
   PG&E on or after September 9, 2010, and before January 1, 2012. As of January 1, 2012, I
   the ITCC shall be calculated by multiplying the Balance of Contribution by the tax factor of I
   0.22 (22 percent). The 22 percent tax factor shall be applicable to contributions received by I
   PG&E on or after January 1, 2012. PG&E will file an advice letter to reflect any changes in (T)
   the tax factor which would cause an increase or decrease of five percentage points or more.

   b. The tax factor is established by using Method 5 as set forth in Decisions 87-09-026 and 87-12-028 in OII 86-11-019.

(Continued)

# GAS TABLE OF CONTENTS

Sheet 1



(Continued)

# GAS TABLE OF CONTENTS

Sheet 4

| PART | TITLE OF SHEET | CAL P.U.C. SHEET NO. | |
|---|---|---|---|
| | **Preliminary Statements** | | |
| Part A | Description of Service Area and General Requirements | 14615-14623,18797-G | |
| Part B | Default Tariff Rate Components | 28615-28621, 28436-28438, 23229,28403-28411,27884,26727-G | |
| Part C | Gas Accounting Terms and Definitions | 23345,28412,28413, 28414,24973,23347,23760,27453,24431,28110,23561,23795,23351,28063-G | |
| Part D | Purchased Gas Account | 27761,25095,25096,27762-G | |
| Part F | Core Fixed Cost Account | 27763,24623,27764-G | |
| Part J | Noncore Customer Class Charge Account | 28552,25108-25109-G | |
| Part L | Balancing Charge Account | 23273-23274-G | |
| Part O | CPUC Reimbursement Fee | 24 987-G | |
| Part P | Income Tax Component of Contributions Provision | 28729,13501-G | (T) |
| Part Q | Affiliate Transfer Fees Account | 23275-G | |
| Part S | Interest | 12773-G | |
| Part T | Tax Reform Act of 1986 | 12775-G | |
| Part U | Core Brokerage Fee Balancing Account | 23276-G | |
| Part V | California Alternate Rates For Energy Account | 23358,28100-G | |
| Part X | Liquefied Natural Gas Balancing Account | 27454-G | |
| Part Y | Customer Energy Efficiency Adjustment | 28301-28303,27060,27061-G | |

(Continued)

**ATTACHMENT 1**
**Advice 3784-E**

| Cal P.U.C. Sheet No. | Title of Sheet | Cancelling Cal P.U.C. Sheet No. |
|---|---|---|
| 29937-E | ELECTRIC PRELIMINARY STATEMENT PART J<br>INCOME TAX COMPONENT OF<br>CONTRIBUTIONS PROVISION<br>Sheet 1 | 29667-E |
| 29938-E | ELECTRIC TABLE OF CONTENTS<br>Sheet 1 | 29678-E |
| 29939-E | ELECTRIC TABLE OF CONTENTS<br>PRELIMINARY STATEMENT<br>Sheet 6 | 29669-E |

# ELECTRIC PRELIMINARY STATEMENT PART J
## INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION

Sheet 1

J. INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION

1. GENERAL: All Contributions in Aid of Construction (Contributions, or CIAC) made to PG&E shall include a charge to cover PG&E's resulting estimated liability for Federal and State Income Tax. PG&E shall collect the Federal Income Tax on Contributions made on or after February 11, 1987, for the unit costs under Rule 15 and January 1, 1987, for all other Contributions. California Corporate Franchise Tax (CCFT) shall be collected beginning January 1, 1992.

2. DEFINITIONS:

   a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and related income taxes provided by a person or agency to PG&E. The value of all contributions shall be based on PG&E's estimates or a contract value acceptable to PG&E. Contributions shall consist of two components, as follows:

      1) Income Tax Component of Contribution (ITCC); and
      2) The balance of the contribution, excluding income taxes (Balance of Contribution).

   b. Government Agency: For purposes of administering this part of the preliminary statement, a government agency shall include the Federal Government, a California state, county, or local government agency.

3. APPLICABILITY: The ITCC shall apply to Contributions including but not limited to charges under the applicable Rate Schedule and Rules, except as provided in Section 4 below.

4. GOVERNMENT AGENCY EXEMPTIONS:

   a. Public Benefit: A contribution for a project will be considered a public benefit if, in the opinion of PG&E, the government agency making the contribution can clearly show that the contribution will benefit the public as a whole. Internal Revenue Service (IRS) Notice 87-82 dated December 3, 1987, excludes from the Public Benefit Exemption any government agency contribution associated with projects causing new or increased usage of utility service.

   b. Condemnation: Contributions resulting from condemnation of company facilities, or the threat or imminence thereof may be excluded from the ITCC requirement when supported by evidence acceptable to PG&E provided by the government agency.

5. DETERMINATION OF ITCC:

   a. The ITCC shall be calculated by multiplying the Balance of Contribution by the tax factor of 0.08 (8 percent). The 8 percent tax factor shall be applicable to contributions received by (T)
PG&E on or after September 9, 2010, and before January 1, 2012. As of January 1, 2012, I
the ITCC shall be calculated by multiplying the Balance of Contributions by the tax factor of I
0.22 (22 percent). The 22 percent tax factor shall be applicable to contributions received by I
PG&E on or after January 1, 2012. PG&E will file an advice letter to reflect any changes in (T)
the tax factor which would cause an increase or decrease of five percentage points or more.

   b. The tax factor is established by using Method 5 as set forth in Decisions 87-09-026 and 87-12-028 in OII 86-11-019.

(Continued)

# ELECTRIC TABLE OF CONTENTS

Sheet 1

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# ELECTRIC TABLE OF CONTENTS
## PRELIMINARY STATEMENT

Sheet 6

**PART** **TITLE OF SHEET** **CAL P.U.C. SHEET NO.**

**Preliminary Statements**



(Continued)

**Advice 3176-G/3784-E**

**Attachment 2**

**CIAC Gross-up Computation Including California Taxes**

## CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES (Electric)

| (A) YEAR | (B) TAX PMT/(BEN) REFLECTING CIAC OF $1,000 | (C) TAX BASIS | (D) CALIFORNIA DEPRECIATION RATES | (E) CALIFORNIA RATES | (F) STATE TAX BENEFIT | (G) MODIFIED MACRS RATES | (H) FEDERAL TAX RATE | (I) FEDERAL TAX BENEFIT | (J) REMAINING CIAC PAYABLE | (K) WTD. AVG. UNRECOVERED TAX PMT. | (L) RATE OF RETURN | (M) REVENUE REQUIREMENT ON REMAINING INVESTMENT | (N) DISCOUNT FACTOR 0.12 | (O) DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 88.4 | 1,000 | 3.334% | 8.840% | 2.9473 | 100.000% | 0.00% | 0.0000 | 85.4527 | 86.9264 | 17.000% | 14.7775 | 0.8929 | 13.1948 |
| 2 | 0 | | 6.445% | | 5.6974 | 0.000% | | 0.0000 | 79.7554 | 82.6041 | 17.000% | 14.0427 | 0.7972 | 11.1948 |
| 3 | | | 6.016% | | 5.3181 | 0.000% | | 0.0000 | 74.4372 | 77.0963 | 17.000% | 13.1064 | 0.7118 | 9.3289 |
| 4 | | | 5.615% | | 4.9637 | 0.000% | | 0.0000 | 69.4736 | 71.9554 | 17.000% | 12.2324 | 0.6355 | 7.7739 |
| 5 | | | 5.241% | | 4.6330 | 0.000% | | 0.0000 | 64.8405 | 67.1570 | 17.000% | 11.4167 | 0.5674 | 6.4781 |
| 6 | | | 4.892% | | 4.3245 | 0.000% | | 0.0000 | 60.5160 | 62.6783 | 17.000% | 10.6553 | 0.5066 | 5.3983 |
| 7 | | | 4.566% | | 4.0363 | 0.000% | | 0.0000 | 56.4796 | 58.4978 | 17.000% | 9.9446 | 0.4523 | 4.4984 |
| 8 | | | 4.261% | | 3.7667 | 0.000% | | 0.0000 | 52.7129 | 54.5963 | 17.000% | 9.2814 | 0.4039 | 3.7486 |
| 9 | | | 3.977% | | 3.5157 | 0.000% | | 0.0000 | 49.1973 | 50.9551 | 17.000% | 8.6624 | 0.3606 | 3.1237 |
| 10 | | | 3.712% | | 3.2814 | 0.000% | | 0.0000 | 45.9158 | 47.5565 | 17.000% | 8.0846 | 0.3220 | 2.6030 |
| 11 | | | 3.465% | | 3.0631 | 0.000% | | 0.0000 | 42.8528 | 44.3843 | 17.000% | 7.5453 | 0.2875 | 2.1691 |
| 12 | | | 3.234% | | 2.8589 | 0.000% | | 0.0000 | 39.9939 | 41.4234 | 17.000% | 7.0420 | 0.2567 | 1.8075 |
| 13 | | | 3.018% | | 2.6679 | 0.000% | | 0.0000 | 37.3260 | 38.6600 | 17.000% | 6.5722 | 0.2292 | 1.5062 |
| 14 | | | 2.817% | | 2.4902 | 0.000% | | 0.0000 | 34.8358 | 36.0809 | 17.000% | 6.1338 | 0.2046 | 1.2551 |
| 15 | | | 2.630% | | 2.3249 | 0.000% | | 0.0000 | 32.5109 | 33.6733 | 17.000% | 5.7245 | 0.1827 | 1.0458 |
| 16 | | | 2.455% | | 2.1702 | 0.000% | | 0.0000 | 30.3406 | 31.4258 | 17.000% | 5.3424 | 0.1631 | 0.8715 |
| 17 | | | 2.367% | | 2.0924 | 0.000% | | 0.0000 | 28.2482 | 29.2944 | 17.000% | 4.9801 | 0.1456 | 0.7253 |
| 18 | | | 2.367% | | 2.0924 | 0.000% | | 0.0000 | 26.1558 | 27.2020 | 17.000% | 4.6243 | 0.1300 | 0.6013 |
| 19 | | | 2.367% | | 2.0924 | 0.000% | | 0.0000 | 24.0634 | 25.1096 | 17.000% | 4.2686 | 0.1161 | 0.4956 |
| 20 | | | 2.367% | | 2.0924 | 0.000% | | 0.0000 | 21.9709 | 23.0172 | 17.000% | 3.9129 | 0.1037 | 0.4056 |
| 21 | | | 2.367% | | 2.0924 | 0.000% | | 0.0000 | 19.8785 | 20.9247 | 17.000% | 3.5572 | 0.0926 | 0.3293 |
| 22 | | | 2.367% | | 2.0924 | | | 0.0000 | 17.7861 | 18.8323 | 17.000% | 3.2015 | 0.0826 | 0.2646 |
| 23 | | | 2.367% | | 2.0924 | | | 0.0000 | 15.6937 | 16.7399 | 17.000% | 2.8458 | 0.0738 | 0.2100 |
| 24 | | | 2.367% | | 2.0924 | | | 0.0000 | 13.6012 | 14.6474 | 17.000% | 2.4901 | 0.0659 | 0.1641 |
| 25 | | | 2.367% | | 2.0924 | | | 0.0000 | 11.5088 | 12.5550 | 17.000% | 2.1344 | 0.0588 | 0.1256 |
| 26 | | | 2.367% | | 2.0924 | | | 0.0000 | 9.4164 | 10.4626 | 17.000% | 1.7786 | 0.0525 | 0.0934 |
| 27 | | | 2.367% | | 2.0924 | | | 0.0000 | 7.3239 | 8.3702 | 17.000% | 1.4229 | 0.0469 | 0.0667 |
| 28 | | | 2.367% | | 2.0924 | | | 0.0000 | 5.2315 | 6.2777 | 17.000% | 1.0672 | 0.0419 | 0.0447 |
| 29 | | | 2.367% | | 2.0924 | | | 0.0000 | 3.1391 | 4.1853 | 17.000% | 0.7115 | 0.0374 | 0.0266 |
| 30 | | | 2.367% | | 2.0924 | | | 0.0000 | 1.0467 | 2.0929 | 17.000% | 0.3558 | 0.0334 | 0.0119 |
| 31 | | | 1.184% | | 1.0467 | | | 0.0000 | (0.0000) | 0.5233 | 17.000% | 0.0890 | 0.0298 | 0.0027 |
| 32 | | | | | 0.0000 | | | 0.0000 | (0.0000) | (0.0000) | 17.000% | 0.0000 | 0.0266 | 0.0000 |
| | | | 100.000% | | 88.4000 | 100.000% | | 0.0000 | | | | 188.0041 | | 79.5651 |
| | | | | | | | | | | | | 79.5651 | / 1000 | 7.9600% |
| | 88.4 | | | | | | | 88.4000 | | | | | | |
| | | | | | | | | | | | | | | 8.0000% |

## CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES (Gas)

| (A) YEAR | (B) TAX PMT/(BEN) REFLECTING CIAC OF $1,000 | (C) TAX BASIS | (D) CALIFORNIA DEPRECIATION RATES | (E) CALIFORNIA RATES | (F) STATE TAX BENEFIT | (G) MODIFIED MACRS RATES | (H) FEDERAL TAX RATE | (I) FEDERAL TAX BENEFIT | (J) REMAINING CIAC PAYABLE | (K) WTD. AVG. UNRECOVERED TAX PMT. | (L) RATE OF RETURN | (M) REVENUE REQUIREMENT ON REMAINING INVESTMENT | (N) DISCOUNT FACTOR 0.12 | (O) DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 88.4 | 1,000 | 2.857% | 8.840% | 2.5256 | 100.000% | 0.00% | 0.0000 | 85.8744 | 87.1372 | 17.000% | 14.8133 | 0.8929 | 13.2268 |
| 2 | 0 | | 5.551% | | 4.9071 | 0.000% | | 0.0000 | 80.9673 | 83.4209 | 17.000% | 14.1815 | 0.7972 | 11.3054 |
| 3 | | | 5.234% | | 4.6269 | 0.000% | | 0.0000 | 76.3405 | 78.6539 | 17.000% | 13.3712 | 0.7118 | 9.5174 |
| 4 | | | 4.935% | | 4.3625 | 0.000% | | 0.0000 | 71.9779 | 74.1592 | 17.000% | 12.6071 | 0.6355 | 8.0120 |
| 5 | | | 4.653% | | 4.1133 | 0.000% | | 0.0000 | 67.8647 | 69.9213 | 17.000% | 11.8866 | 0.5674 | 6.7448 |
| 6 | | | 4.387% | | 3.8781 | 0.000% | | 0.0000 | 63.9866 | 65.9256 | 17.000% | 11.2074 | 0.5066 | 5.6780 |
| 7 | | | 4.137% | | 3.6571 | 0.000% | | 0.0000 | 60.3295 | 62.1580 | 17.000% | 10.5669 | 0.4523 | 4.7799 |
| 8 | | | 3.901% | | 3.4485 | 0.000% | | 0.0000 | 56.8810 | 58.6052 | 17.000% | 9.9629 | 0.4039 | 4.0238 |
| 9 | | | 3.678% | | 3.2514 | 0.000% | | 0.0000 | 53.6296 | 55.2553 | 17.000% | 9.3934 | 0.3606 | 3.3874 |
| 10 | | | 3.468% | | 3.0657 | 0.000% | | 0.0000 | 50.5639 | 52.0968 | 17.000% | 8.8565 | 0.3220 | 2.8516 |
| 11 | | | 3.270% | | 2.8907 | 0.000% | | 0.0000 | 47.6732 | 49.1186 | 17.000% | 8.3502 | 0.2875 | 2.4005 |
| 12 | | | 3.084% | | 2.7263 | 0.000% | | 0.0000 | 44.9470 | 46.3101 | 17.000% | 7.8727 | 0.2567 | 2.0207 |
| 13 | | | 2.908% | | 2.5707 | 0.000% | | 0.0000 | 42.3763 | 43.6616 | 17.000% | 7.4225 | 0.2292 | 1.7010 |
| 14 | | | 2.742% | | 2.4239 | 0.000% | | 0.0000 | 39.9524 | 41.1643 | 17.000% | 6.9979 | 0.2046 | 1.4319 |
| 15 | | | 2.585% | | 2.2851 | 0.000% | | 0.0000 | 37.6672 | 38.8098 | 17.000% | 6.5977 | 0.1827 | 1.2054 |
| 16 | | | 2.438% | | 2.1552 | 0.000% | | 0.0000 | 35.5120 | 36.5896 | 17.000% | 6.2202 | 0.1631 | 1.0146 |
| 17 | | | 2.299% | | 2.0323 | 0.000% | | 0.0000 | 33.4797 | 34.4959 | 17.000% | 5.8643 | 0.1456 | 0.8541 |
| 18 | | | 2.168% | | 1.9165 | 0.000% | | 0.0000 | 31.5632 | 32.5215 | 17.000% | 5.5287 | 0.1300 | 0.7189 |
| 19 | | | 2.040% | | 1.8034 | 0.000% | | 0.0000 | 29.7599 | 30.6615 | 17.000% | 5.2125 | 0.1161 | 0.6052 |
| 20 | | | 2.040% | | 1.8034 | 0.000% | | 0.0000 | 27.9565 | 28.8582 | 17.000% | 4.9059 | 0.1037 | 0.5086 |
| 21 | | | 2.040% | | 1.8034 | 0.000% | | 0.0000 | 26.1531 | 27.0548 | 17.000% | 4.5993 | 0.0926 | 0.4257 |
| 22 | | | 2.040% | | 1.8034 | | | 0.0000 | 24.3498 | 25.2515 | 17.000% | 4.2927 | 0.0826 | 0.3548 |
| 23 | | | 2.040% | | 1.8034 | | | 0.0000 | 22.5464 | 23.4481 | 17.000% | 3.9862 | 0.0738 | 0.2941 |
| 24 | | | 2.040% | | 1.8034 | | | 0.0000 | 20.7431 | 21.6447 | 17.000% | 3.6796 | 0.0659 | 0.2424 |
| 25 | | | 2.040% | | 1.8034 | | | 0.0000 | 18.9397 | 19.8414 | 17.000% | 3.3730 | 0.0588 | 0.1984 |
| 26 | | | 2.040% | | 1.8034 | | | 0.0000 | 17.1363 | 18.0380 | 17.000% | 3.0665 | 0.0525 | 0.1611 |
| 27 | | | 2.040% | | 1.8034 | | | 0.0000 | 15.3330 | 16.2347 | 17.000% | 2.7599 | 0.0469 | 0.1294 |
| 28 | | | 2.040% | | 1.8034 | | | 0.0000 | 13.5296 | 14.4313 | 17.000% | 2.4533 | 0.0419 | 0.1027 |
| 29 | | | 2.040% | | 1.8034 | | | 0.0000 | 11.7263 | 12.6279 | 17.000% | 2.1467 | 0.0374 | 0.0803 |
| 30 | | | 2.040% | | 1.8034 | | | 0.0000 | 9.9229 | 10.8246 | 17.000% | 1.8402 | 0.0334 | 0.0614 |
| 31 | | | 2.040% | | 1.8034 | | | 0.0000 | 8.1195 | 9.0212 | 17.000% | 1.5336 | 0.0298 | 0.0457 |
| 32 | | | 2.040% | | 1.8034 | | | 0.0000 | 6.3162 | 7.2179 | 17.000% | 1.2270 | 0.0266 | 0.0326 |
| 33 | | | 2.040% | | 1.8034 | | | 0.0000 | 4.5128 | 5.4145 | 17.000% | 0.9205 | 0.0238 | 0.0219 |
| 34 | | | 2.040% | | 1.8034 | | | 0.0000 | 2.7095 | 3.6111 | 17.000% | 0.6139 | 0.0212 | 0.0130 |
| 35 | | | 2.040% | | 1.8034 | | | 0.0000 | 0.9061 | 1.8078 | 17.000% | 0.3073 | 0.0189 | 0.0058 |
| 36 | | | 1.025% | | 0.9061 | | | 0.0000 | (0.0000) | 0.4530 | 17.000% | 0.0770 | 0.0169 | 0.0013 |
| | | | | | | | | 0.0000 | (0.0000) | 0.4530 | 17.000% | 0.0770 | 0.0169 | 0.0013 |
| | | | 100.000% | | 88.4000 | 100.000% | | 0.0000 | | | | 218.7731 | | 84.1601 |
| | | | | | | | | | | | | 84.1601 | / 1000 | 8.4200% |
| | 88.4 | | | | | | | 88.4000 | | | | | | |
| | | | | | | | | | | | | | | 8.0000% |

**Advice 3176-G/3784-E**

**Attachment 3**

**Section 401 – Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010**

# Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 [P.L. 111-312 12/17/2010]

## TITLE IV. TEMPORARY EXTENSION OF INVESTMENT INCENTIVES [§§401—402]

## Law Sec. 401. EXTENSION OF BONUS DEPRECIATION; TEMPORARY 100 PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.

**(a)** In General. Paragraph (2) of section 168(k) is amended—

**(1)** by striking "January 1, 2012" in subparagraph (A)(iv) and inserting "January 1, 2014", and

**(2)** by striking "January 1, 2011" each place it appears and inserting "January 1, 2013".

**(b)** Temporary 100 Percent Expensing. Subsection (k) of section 168 is amended by adding at the end the following new paragraph:

"(5) SPECIAL RULE FOR PROPERTY ACQUIRED DURING CERTAIN PRE-2012 PERIODS.-In the case of qualified property acquired by the taxpayer (under rules similar to the rules of clauses (ii) and (iii) of paragraph (2)(A)) after September 8, 2010, and before January 1, 2012, and which is placed in service by the taxpayer before January 1, 2012 (January 1, 2013, in the case of property described in subparagraph (2)(B) or (2)(C)), paragraph (1)(A) shall be applied by substituting '100 percent' for '50 percent'.".

**(c)** Extension of Election to Accelerate the AMT Credit in Lieu of Bonus Depreciation.

**(1)** Extension. Clause (iii) of section 168(k)(4)(D) is amended by striking "or production" and all that follows and inserting "or production—

"(I) after March 31, 2008, and before January 1, 2010, and

"(II) after December 31, 2010, and before January 1, 2013,

shall be taken into account under subparagraph (B)(ii) thereof,".

**(2)** Rules for Round 2 Extension Property. Paragraph (4) of section 168(k) is amended by adding at the end the following new subparagraph:

"(I) SPECIAL RULES FOR ROUND 2 EXTENSION PROPERTY.-

"(i) IN GENERAL.-In the case of round 2 extension property, this paragraph shall be applied without regard to—

"(I) the limitation described in subparagraph (B)(i) thereof, and

"(II) the business credit increase amount under subparagraph (E)(iii) thereof.

"(ii) TAXPAYERS PREVIOUSLY ELECTING ACCELERATION.-In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, or a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008—

"(I) the taxpayer may elect not to have this paragraph apply to round 2 extension property, but

"(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is round 2 extension property.

The amounts described in subclause (II) shall be computed separately from any amounts computed with respect to eligible qualified property which is not round 2 extension property.

"(iii) TAXPAYERS NOT PREVIOUSLY ELECTING ACCELERATION.-In the case of a taxpayer who neither made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, nor made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008—

"(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2010, and each subsequent taxable year, and

"(II) if the taxpayer makes the election under subclause (I), this paragraph shall only apply to eligible qualified property which is round 2 extension property.

"(iv) ROUND 2 EXTENSION PROPERTY.-For purposes of this subparagraph, the term 'round 2 extension property' means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 401(a) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (and the application of such extension to this paragraph pursuant to the amendment made by section 401(c)(1) of such Act).".

**(d)** Conforming Amendments.

**(1)** The heading for subsection (k) of section 168 is amended by striking "JANUARY 1, 2011" and inserting "JANUARY 1, 2013".

**(2)** The heading for clause (ii) of section 168(k)(2)(B) is amended by striking "PRE-JANUARY 1, 2011" and inserting "PRE-JANUARY 1, 2013".

**(3)** Subparagraph (D) of section 168(k)(4) is amended—

**(A)** by striking clauses (iv) and (v),

**(B)** by inserting "and" at the end of clause (ii), and

**(C)** by striking the comma at the end of clause (iii) and inserting a period.

**(4)** Paragraph (5) of section 168(l) is amended—

**(A)** by inserting "and" at the end of subparagraph (A),

**(B)** by striking subparagraph (B), and

**(C)** by redesignating subparagraph (C) as subparagraph (B).

**(5)** Subparagraph (C) of section 168(n)(2) is amended by striking "January 1, 2011" and inserting "January 1, 2013".

**(6)** Subparagraph (D) of section 1400L(b)(2) is amended by striking "January 1, 2011" and inserting "January 1, 2013".

**(7)** Subparagraph (B) of section 1400N(d)(3) is amended by striking "January 1, 2011" and inserting "January 1, 2013".

**(e)** Effective Dates.

**(1)** In General. Except as provided in paragraph (2), the amendments made by this section shall apply to property placed in service after December 31, 2010, in taxable years ending after such date.

**(2)** Temporary 100 Percent Expensing. The amendment made by subsection (b) shall apply to property placed in service after September 8, 2010, in taxable years ending after such date.

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Bloomberg New Energy Finance
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Commercial Energy
Consumer Federation of California
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Davis Wright Tremaine LLP
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Dutcher, John
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Morgan Stanley
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Norris & Wong Associates
North America Power Partners
North Coast SolarResources
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recurrent Energy
SCD Energy Solutions
SCE
SMUD
SPURR
San Francisco Public Utilities Commission
Santa Fe Jets
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Spark Energy, L.P.
Sunshine Design
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Turlock Irrigation District
United Cogen
Utility Cost Management
Utility Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
eMeter Corporation

# Advice 3216-G-A/3859-E-A

## Attachment 12

## ITCC Amortization to Miscellaneous Revenue Forecast

**Pacific Gas and Electric Company**
**Tax Act Memorandum Account (TAMA)**
**ITCC Amortization to Miscellaneous Revenue Forecast**
**Based on 2011 GRC Settlement Agreement**
($ in thousands)

| LOB | 2011 RRQ | 2012 Attrition | 2012% Increase | 2012 RRQ | 2012 Attrition | 2013% Increase | 2013 RRQ |
|---|---|---|---|---|---|---|---|
| Electric Distribution | 3,189,524 | 123,000 | 3.86% | 3,312,524 | 123,000 | 3.71% | 3,435,524 |
| Gas Distribution | 1,131,429 | 35,000 | 3.09% | 1,166,429 | 35,000 | 3.00% | 1,201,429 |

| Baseline ITCC Amortization | 2011 RRQ | 2012 Attrition | 2012 % Increase | 2012 RRQ | 2012 Attrition | 2013 % Increase | 2013 RRQ |
|---|---|---|---|---|---|---|---|
| Non Refundable Electric | 39,295 | | 3.86% | 40,810 | | 3.71% | 42,326 |
| Refundable Electric | 2,987 | | 3.86% | 3,102 | | 3.71% | 3,217 |
| *Subtotal Electric* | 42,282 | | | 43,913 | | | 45,543 |
| Non Refundable Gas | 6,789 | | 3.09% | 6,999 | | 3.00% | 7,209 |
| Refundable Gas | 1,248 | | 3.09% | 1,287 | | 3.00% | 1,325 |
| *Subtotal Gas* | 8,037 | | | 8,286 | | | 8,534 |
| **Total ITCC Amortization** | **50,319** | | | **52,198** | | | **54,077** |

| ITCC Amortization Impacted by Tax Law** | 2011 RRQ | 2012 RRQ | 2013 RRQ |
|---|---|---|---|
| Non Refundable Electric | 35,255 | 34,672 | 34,055 |
| Refundable Electric*** | - | - | - |
| *Subtotal Electric* | 35,255 | 34,672 | 34,055 |
| Non Refundable Gas | 5,964 | 5,964 | 5,978 |
| Refundable Gas*** | - | - | - |
| *Subtotal Gas* | 5,964 | 5,964 | 5,978 |
| **Total ITCC Amortization** | **41,219** | **40,636** | **40,033** |

| (Reduction) Increase in Misc. Rev.: | 2011 RRQ | 2012 RRQ | 2013 RRQ |
|---|---|---|---|
| Electric Distribution | (7,027) | (9,241) | (11,488) |
| Gas Distribution | (2,073) | (2,322) | (2,556) |
| Total (Reduction) Increase in Misc. Rev. | (9,100) | (11,562) | (14,044) |

** Note: Includes bonus depreciation related to the Tax Relief Act signed December 17, 2010
*** Note: Includes no assumption for refundable CAC

**PG&E Gas and Electric**
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**General Order 96-B, Section IV**

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Brookfield Renewable Power
CA Bldg Industry Association
CLECA Law Office
CSC Energy Services
California Cotton Ginners & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Casner, Steve
Chris, King
City of Palo Alto
City of Palo Alto Utilities
City of San Jose
Clean Energy Fuels
Coast Economic Consulting
Commercial Energy
Consumer Federation of California
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy
Defense Energy Support Center
Department of Water Resources
Dept of General Services
Douglass & Liddell
Downey & Brand
Duke Energy
Economic Sciences Corporation
Ellison Schneider & Harris LLP
Foster Farms
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GLJ Publications
GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
Hitachi
In House Energy
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Intestate Gas Services, Inc.
Lawrence Berkeley National Lab
Los Angeles Dept of Water & Power
Luce, Forward, Hamilton & Scripps LLP
MAC Lighting Consulting
MBMC, Inc.
MRW & Associates
Manatt Phelps Phillips
McKenzie & Associates
Merced Irrigation District
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
NLine Energy, Inc.
NRG West
NaturEner
Navigant Consulting
Norris & Wong Associates
North America Power Partners
North Coast SolarResources
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recurrent Energy
SCD Energy Solutions
SCE
SMUD
SPURR
San Francisco Public Utilities Commission
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Spark Energy, L.P.
Sun Light & Power
Sunshine Design
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Turlock Irrigation District
United Cogen
Utility Cost Management
Utility Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
eMeter Corporation