

**CTC Tax Workshop
Pacific Gas & Electric Company
Non-Nuclear Generation Regulatory Receivable for Taxes - Property Related**

Total Non-Nuclear		
Net Book Value at January 1, 1998		\$ 2,629,525,000
Net Book Value Tax Gross up:		
Net Book Value	2,629,525,000	
Remaining State Tax Basis *	<u>(1,064,447,000)</u>	
Net Excess Includable in Taxable Income	1,565,078,000	
State Tax Rate	<u>8.840%</u>	
State Tax Differences Before Gross Up	138,352,895	
Net to Gross Multiplier for Taxes	<u>1.68765</u>	
Deferred Tax Liability (due from ratepayers)		233,491,263
Net Book Value Tax Gross up:		
Net Book Value	2,629,525,000	
Remaining Federal Tax Basis	(1,064,447,000)	
State Tax Differences Before Gross Up	<u>(138,352,895)</u>	
Net Excess Includable in Taxable Income	1,426,725,105	
Federal Tax Rate	35.000%	
Net to Gross Multiplier for Taxes	<u>1.68765</u>	
Deferred Tax Liability (due from ratepayers)		842,734,418
Normalized Deferred Tax Reserve:		
ACRS/MACRS Deferred Tax **	273,108,000	
Net to Gross Multiplier for Taxes	<u>1.68765</u>	
Total (credit to ratepayers)		(460,910,716)
Deferred ITC:		
Unamortized ITC		See page 6
Return on Unamortized ITC balance (per IRC 46(f)(1))		See page 6
Net to Gross Multiplier for Taxes		See page 6
Total (credit to ratepayers)		(28,210,064)
CTC Revenue Requirement before Valuation		<u>3,216,629,901</u>
Less Valuation ***		<u>0</u>
Net CTC Revenue Requirement		3,216,629,901
Net Book Value		(2,629,525,000)
Net CTC Revenue Requirement for Taxes		<u><u>587,104,901</u></u>

* PG&E used a combined tax rate in its forecast to estimate the state tax liability.

** Amount includes ARAM. If the plant was sold or valued at an amount other than zero, a portion of this would be retained by PG&E in accordance with Internal Revenue Code normalization rules.

*** For purposes of this computation, pending actual valuation or sale, the valuation has been assumed to be zero.