

June 6, 2003

Advice 2466-G/2386-E

(Pacific Gas and Electric Company ID U 39 M)

Subject: Temporary Adjustment to Lower ITCC Rates Due to Tax Law Changes.

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its gas and electric Preliminary Statement Parts P and J, respectively. The affected tariff sheets are listed on the enclosed Attachment I.¹

Purpose

The purpose of this filing is to revise PG&E's gas and electric Preliminary Statements Parts P and J -- *Income Tax Component of Contributions Provision*, respectively, to reflect changes in Federal tax law that temporarily reduce the tax factor used to compute the "Income Tax Component of Contribution (ITCC)" associated with Contributions in Aid of Construction.

Background

On May 28, 2003, President Bush signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003 (P.L. 108-27; the "Act"). Section 201(a) of the Act modifies a depreciation provision -- Section 168(k) to the Internal Revenue Code -- now entitled, "Special allowance for certain property acquired after September 10, 2001, and before January 1, 2005." A copy of this new provision is attached (Attachment II). The Act raised the Special Depreciation Allowance from 30% to 50%, and extended the termination date to January 1, 2005.²

¹ PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

² On May 22, 2002, PG&E filed Advice 2387-G/2243-E to temporarily lower the ITCC rate due to an earlier tax act. That act, which established the special depreciation allowance of 30%, was described in the Advice: "On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147; the "Act"). Section 101(a) of the Act adds a new depreciation provision -- Section 168(k) to the Internal Revenue Code -- entitled, "Special allowance for certain property acquired after September 10, 2001, and before September 11, 2004." By letter

The additional depreciation allowed under this Act temporarily reduces PG&E's current ITCC factor. The revised ITCC factor has been calculated, as set forth in Attachment III, by using Method 5 as described in Decision (D.) 87-09-026 and D. 87-12-028 in OII 86-11-019.

Tariff Revisions

Gas Preliminary Statement Part P, *Section 5. a.* has been revised to reflect a temporary reduction in the ITCC tax factor to 0.22 (22 percent) on property contributed to PG&E on or after August 1, 2003 and before January 1, 2005. Property contributed to PG&E after December 31, 2004, will be subject to the previously authorized ITCC tax factor of 35 percent.

In a similar fashion, Electric Preliminary Statement Part J, *Section 5. a.* has been revised to reflect a temporary reduction in the ITCC tax factor to 22 percent on property contributed to PG&E on or after August 1, 2003 and before January 1, 2005. Property contributed to PG&E after December 31, 2004, will be subject to the previously authorized ITCC tax factor of 34 percent.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **June 26, 2003**, 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:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Brian K. Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226

Effective Date

PG&E requests that this advice filing become effective on **August 1, 2003**, for contributions received on or after such effective date.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to Chris Harris at (415) 973-7572. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President - Regulatory Relations

Attachments



PRELIMINARY STATEMENT
(Continued)

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 0.35 (35 percent). PG&E will file an advice letter to reflect any changes in the tax factor which would cause an increase or decrease of five percentage points or more. If any portion of a Balance of Contribution is received on or after August 1, 2003, and before January 1, 2005, then the ITCC on such portion shall be computed by multiplying the amount of such portion by a tax factor of 0.22 (22 percent). For Contributions received prior to January 1, 1992, the tax factor shall be 0.28 (28 percent).

(T)
|
|
(T)

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)



TABLE OF CONTENTS
(Continued)

PRELIMINARY STATEMENTS

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Part A	Description of Service Area & General Requirements	14615 to 14623,18797-G
Part B	Default Tariff Rate Components.....	21615,21616,21617,21618,21619,21484,21485,21486,20889,21351 to 21358,21018,20842-G
Part C	Gas Accounting Terms and Definitions	18965,21359,20844,21377,18047,20845,20846,20443,20027,18314,18315,18316-G
Part D	Purchased Gas Account	20847,20445,20848-G
Part E	Not Being Used	
Part F	Core Fixed Cost Account	20849,20850-G
Part G	Not Being Used	
Part H	Not Being Used	
Part I	Noncore Brokerage Fee Balancing Account.....	18061-G
Part J	Noncore Customer Class Charge Account	20851,20852,20853-G
Part K	Enhanced Oil Recovery Account	17360-G
Part L	Balancing Charge Account	20854,20030-G
Part M	Core Subscription Phase-Out Account	18456-G
Part N	Not Being Used	
Part O	CPUC Reimbursement Fee	21360-G
Part P	Income Tax Component of Contributions Provision.....	21646,13501-G
Part Q	Affiliate Transfer Fees Account.....	19459-G
Part R	Not Being Used	
Part S	Interest	12773-G
Part T	Tax Reform Act of 1986	12775-G
Part U	Core Brokerage Fee Balancing Account.....	18065-G
Part V	California Alternate Rates For Energy Account	20794-G
Part W	Cogeneration Distribution Shortfall Account	19203-G
Part X	Natural Gas Vehicle Balancing Account	20952,20953-G
Part Y	Customer Energy Efficiency Adjustment.....	18551,18552,18553-G
Part Z	Energy Efficiency California Energy Commission Memorandum Account.....	20797-G
Part AA	Not Being Used	
Part AB	Not Being Used	
Part AC	Catastrophic Event Memorandum Account.....	14178,14179-G
Part AD	Not Being Used	
Part AE	Core Pipeline Demand Charge Account	21361,21362,18978-G
Part AF	Not Being Used	
Part AG	Core Firm Storage Account.....	20031-G
Part AH	Air Quality Adjustment Clause	14928 to 14930-G
Part AI	Applicant Installation Trench Inspection Deferred Account	19533-G
Part AJ	Applicant Installation Trench Inspection Memorandum Account	19534-G
Part AK	Low Income Energy Efficiency Memorandum Account.....	21244-G
Part AL	Not Being Used	
Part AM	Not Being Used	

(T)

(Continued)



TABLE OF CONTENTS

	<u>CAL P.U.C. SHEET NO.</u>	
Title Page	11271-G	
Table of Contents:		
Rate Schedules	21648,21635-G	(T)
Preliminary Statements	21647-G	(T)
Rules	21124-G	
Maps, Contracts and Deviations.....	20922-G	
Sample Forms	21125,21135,21088,20924,21016-G	

RATE SCHEDULES

RESIDENTIAL

<u>SCHEDULE</u>	<u>TITLE OF SHEET</u>	<u>CAL P.U.C. SHEET NO.</u>
G-1	Residential Service	21620,18597-G
GM	Master-Metered Multifamily Service	21621,21028,18599-G
GS	Multifamily Service	21622,21030,18601-G
GT	Mobilehome Park Service	21623,21032-G
G-10	Service to Company Employees	11318-G
GL-1	Residential CARE Program Service.....	21624,18603-G
GML	Master-Metered Multifamily CARE Program Service	21625,21035,18605-G
GSL	Multifamily CARE Program Service.....	21626,21037,18607-G
GTL	Mobilehome Park CARE Program Service.....	21627,21628,18608-G
G-MHPS	Master-Metered Mobilehome Park Safety Surcharge	19986-G

NONRESIDENTIAL

G-NR1	Gas Service to Small Commercial Customers	21629,18980-G
G-NR2	Gas Service to Large Commercial Customers.....	21630,18981-G
G-CP	Gas Procurement Service to Core End-Use Customers	21631-G
G-NT	Gas Transportation Service to Noncore End-Use Customers	20855,20856,18361,20450-G
G-COG	Gas Transportation Service to Cogeneration Facilities	20957,20857,18114,18985-G
G-EG	Gas Transportation Service to Electric Generation	20858,19423-G
G-30	Public Outdoor Lighting Service	20859,17050-G
G-WSL	Gas Transportation Service to Wholesale/Resale Customers.....	20860,20861,20862-G
G-BAL	Gas Balancing Service for Intrastate Transportation Customers	20687,20033 to 20045-G