

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 7, 2010

Advice Letter 3070-G/3572-E

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

**Subject: Revision of PG&E's Tariffs to Reflect an Increase in ITCC
Rates Due to Tax Law Changes**

Dear Mr. Cherry:

Advice Letter 3070-G/3572-E is effective January 1, 2010.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

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Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.7226

December 11, 2009

Advice 3070-G/3572-E

(Pacific Gas and Electric Company ID U 39 M)

**Subject: Revision of PG&E's Tariffs to Reflect an Increase in 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 increase the tax factor used to compute the "Income Tax Component of Contribution (ITCC)" associated with Contributions in Aid of Construction.

Background

On 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 extends a depreciation provision -- Section 168(k) to the Internal Revenue Code (IRC) -- entitled, "Special allowance for certain property acquired after September 10, 2001, and before January 1, 2005." The Recovery Act extends the provisions included in the Economic Stimulus Act of 2008, which resulted in a temporarily lower ITCC Tax Factor.

On December 2, 2008, PG&E filed Advice 2975-G/3372-E, notifying the Commission that the lower ITCC Tax Factor under the Economic Stimulus Act

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.

would expire on December 31, 2008 unless Congress extended the depreciation provision. With no extension at that time, PG&E requested that the ITCC Tax Factor be changed to 0.31 (32 percent) for gas and 0.34 (34 percent) for electric. This has been calculated using the current statutory income tax rates of 8.84 percent (California) and 35 percent (Federal). It also reflects 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. By letter dated January 15, 2009, the Energy Division approved Advice Letter 2975-G/3375-E with an effective date of January 1, 2009.

Because the Recovery Act extended the depreciation provisions of the Economic Stimulus Act of 2008, PG&E requested in Advice 2998-G/3424-E that the Commission extend through December 31, 2009 the temporarily lowered ITCC Tax Factor of 0.20 (20 percent) for gas and 0.22 (22 percent) for electric in effect at December 31, 2008. In accordance with Advice 2998-G/3424-E, the ITCC Tax Factor is being revised due to a change in the Federal Depreciation Provisions of the IRC, pursuant to the Recovery Act. Section 1201 of the Act modified the IRC Section 168(k), allowing for 50 percent bonus depreciation for certain property. This modification will sunset on December 31, 2009. Therefore, PG&E requests that the ITCC Tax Factor revert back to the applicable percentage as determined pursuant to PG&E's Advice 2975-G/3372-E (as calculated by utilizing the statutory income tax rates of 8.840 percent (California) and 35 percent (Federal)).

The extended ITCC Tax Factor has been calculated, as set forth in Attachment II, by using Method 5 as described in Decision (D.) 87-09-026 and D. 87-12-028 in OII 86-11-109.

Tariff Revisions

Gas Preliminary Statement Part P, *Section 5. a.* has been revised to reflect the change of the tax factor from 0.20 (20 percent) to 0.35. Property contributed to PG&E on or after January 1, 2010 will be subject to the previously authorized ITCC tax factor of 31 percent.

In a similar fashion, Electric Preliminary Statement Part J, *Section 5. a.* has been revised to reflect the ITCC tax factor from 0.22 (22 percent) to 0.35 on property contributed to PG&E after March 1, 2008 and before January 1, 2010. Property contributed to PG&E on or after January 1, 2010, will be subject to the previously authorized ITCC tax factor of 34 percent.

Effective Date

PG&E believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) pursuant to GO 96-B. Therefore, PG&E requests that the tariffs proposed herein be approved effective January 1, 2010, which is the effective date of the stimulus legislation.

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 **December 31, 2009**, 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: ijnj@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, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

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 and all electronic

approvals should be directed to email PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

A handwritten signature in black ink that reads "Brian Cherry" followed by a small superscripted "03". The signature is written in a cursive style.

Vice President - Regulatory Relations

Attachments:

Attachment One: CIAC Gross-up Computation Including California Taxes

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:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Olivia Brown

Phone #: 415.973.9312

E-mail: oxb4@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3070-G/3572-E

Tier: 1

Subject of AL: Revision of PG&E's Tariffs to Reflect an Increase in ITCC Rates Due to Tax Law Changes

Keywords (choose from CPUC listing): ITCC, Preliminary Statements

AL filing type: Monthly Quarterly Annual One-Time Other Periodically

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

Does AL replace a withdrawn or rejected AL? N/A If so, identify the prior AL: N/A

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

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: N/A

Resolution Required? Yes No

Requested effective date: January 1, 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). N/A

Tariff schedules affected: Gas Preliminary Statement P and Electric Preliminary Part J

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

jn@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry, Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**ATTACHMENT 1
Advice 3070-G**

**Cal P.U.C.
Sheet No.**

Title of Sheet

**Cancelling Cal
P.U.C. Sheet No.**

27938-G	GAS PRELIMINARY STATEMENT PART P INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	27463-G
27939-G	GAS TABLE OF CONTENTS Sheet 1	27919-G
27940-G	GAS TABLE OF CONTENTS Sheet 4	27922-G

**ATTACHMENT 1
Advice 3572-E**

**Cal P.U.C.
Sheet No.**

Title of Sheet

**Cancelling Cal
P.U.C. Sheet No.**

28686-E	ELECTRIC PRELIMINARY STATEMENT PART J INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	28063-E
28687-E	ELECTRIC TABLE OF CONTENTS Sheet 1	28575-E
28688-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 6	28561-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 0.34 (34 percent). The 34 percent tax factor shall be applicable to contributions received by PG&E on or after January 1, 2010. 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. (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. (T)

(Continued)



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Sheet 1

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GAS PRELIMINARY STATEMENT PART P
INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION

Sheet 1

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(Continued)



GAS TABLE OF CONTENTS

Sheet 1

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(T)

(Continued)

ADVICE 3070-G/3572-E
Attachment 2:
CIAC Gross-Up Computation Including
California Taxes

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

Aglet	Defense Energy Support Center	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Department of Water Resources	OnGrid Solar
Ameresco	Department of the Army	Praxair
Anderson & Poole	Dept of General Services	R. W. Beck & Associates
Arizona Public Service Company	Division of Business Advisory Services	RCS, Inc.
BART	Douglas & Liddell	Recon Research
BP Energy Company	Douglass & Liddell	SCD Energy Solutions
Barkovich & Yap, Inc.	Downey & Brand	SCE
Bartle Wells Associates	Duke Energy	SMUD
C & H Sugar Co.	Dutcher, John	SPURR
CA Bldg Industry Association	Ellison Schneider & Harris LLP	Santa Fe Jets
CAISO	FPL Energy Project Management, Inc.	Seattle City Light
CLECA Law Office	Foster Farms	Sempra Utilities
CSC Energy Services	G. A. Krause & Assoc.	Sierra Pacific Power Company
California Cotton Ginners & Growers Assn	GLJ Publications	Silicon Valley Power
California Energy Commission	Goodin, MacBride, Squeri, Schlotz & Ritchie	Silo Energy LLC
California League of Food Processors	Green Power Institute	Southern California Edison Company
California Public Utilities Commission	Hanna & Morton	Sunshine Design
Calpine	International Power Technology	Sutherland, Asbill & Brennan
Cameron McKenna	Intestate Gas Services, Inc.	Tabors Caramanis & Associates
Casner, Steve	Los Angeles Dept of Water & Power	Tecogen, Inc.
Chamberlain, Eric	Luce, Forward, Hamilton & Scripps LLP	Tiger Natural Gas, Inc.
Chevron Company	MBMC, Inc.	Tioga Energy
Chris, King	MRW & Associates	TransCanada
City of Glendale	Manatt Phelps Phillips	Turlock Irrigation District
City of Palo Alto	Matthew V. Brady & Associates	U S Borax, Inc.
Clean Energy Fuels	McKenzie & Associates	United Cogen
Coast Economic Consulting	Merced Irrigation District	Utility Cost Management
Commerce Energy	Mirant	Utility Specialists
Commercial Energy	Modesto Irrigation District	Verizon
Consumer Federation of California	Morgan Stanley	Wellhead Electric Company
Crossborder Energy	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	eMeter Corporation
Day Carter Murphy	Norris & Wong Associates	
	North Coast SolarResources	