

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 1, 2011

**Advice Letter 3216-G-A/3859-E-A**

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, CA 94177

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

Dear Mr. Cherry:

Advice Letter 3216-G-A/3859-E-A is effective April 14, 2011.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director  
Energy Division

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, 2011 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.<sup>1</sup> 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<sup>2</sup> 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.<sup>3</sup>

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

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<sup>1</sup> See Resolution No. L-411, Ordering Paragraphs 1 and 6.

<sup>2</sup> See Resolution No. L-411, Findings and Conclusions 23 and Resolution No. L-411A, Ordering Paragraph 1.

<sup>3</sup> 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<sup>4</sup>. 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<sup>5</sup>, PG&E has developed an estimate of annual revenue requirements using a simplified model (see Attachment 5)<sup>6</sup> 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.<sup>7</sup>

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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<sup>4</sup> See Resolution No. L-411A, Ordering Paragraph 3.

<sup>5</sup> See Resolution No. L-411A, Findings and Conclusions 18.

<sup>6</sup> The Simplified TAMA Model was provided electronically with Advice 3216-G/3859-E.

<sup>7</sup> 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<sup>8</sup> (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.<sup>9</sup> 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

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<sup>8</sup> 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.

<sup>9</sup> 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.<sup>10</sup> 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<sup>11</sup> 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.<sup>12</sup> 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.

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<sup>10</sup> See Revenue Procedure 2011-26, issued by the Internal Revenue Service on March 29, 2011.

<sup>11</sup> Variations of Bonus Depreciation have been in place since 2001 except for 2006 to 2007.

<sup>12</sup> 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.<sup>13</sup>

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*

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<sup>13</sup> This is consistent with Commission guidelines included in the Revised Resolution.

*15 years, and any remaining investments must be ancillary to such investments.”<sup>14</sup>*

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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<sup>14</sup> 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: [jjn@cpuc.ca.gov](mailto:jjn@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto: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

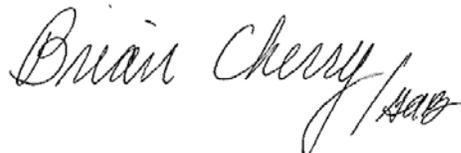
Facsimile: (415) 973-6520  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

### **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](mailto: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](mailto:ProcessOffice@cpuc.ca.gov). Send all electronic approvals to [PGETariffs@pge.com](mailto:PGETariffs@pge.com). Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.



Vice President, Regulation and Rates

**Attachments:**

- 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:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Greg Backens

Phone #: (415) 973-4390

E-mail: gab4@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) #: **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**

**jn@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**

**ATTACHMENT 1  
Advice 3216-G-A**

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

**Title of Sheet**

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

---

29291-G GAS PRELIMINARY STATEMENT PART CS  
TAX ACT MEMORANDUM ACCOUNT - GAS  
Sheet 1

29292-G GAS PRELIMINARY STATEMENT PART CS  
TAX ACT MEMORANDUM ACCOUNT - GAS  
Sheet 2

29293-G GAS TABLE OF CONTENTS  
Sheet 1

29260-G

29294-G GAS TABLE OF CONTENTS  
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)

Advice Letter No: 3216-G-A  
 Decision No. Resolution L-411A

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

Date Filed October 21, 2011  
 Effective April 14, 2011  
 Resolution No. \_\_\_\_\_



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

Sheet 2 (N)  
 (N)

5. ACCOUNTING PROCEDURE (Cnt'd):

- 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)  
 (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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Advice Letter No: 3216-G-A  
 Decision No. Resolution L-411A

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

Date Filed October 21, 2011  
 Effective April 14, 2011  
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Part BW	Energy Efficiency 2009 – 2011 Memorandum Account.....	28304,27419-G	
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(Continued)

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

**Title of Sheet**

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

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30686-E      ELECTRIC PRELIMINARY STATEMENT PART  
FR  
TAX ACT MEMORANDUM ACCOUNT -  
ELECTRIC  
Sheet 1

30687-E      ELECTRIC PRELIMINARY STATEMENT PART  
FR  
TAX ACT MEMORANDUM ACCOUNT -  
ELECTRIC  
Sheet 2

30688-E      ELECTRIC TABLE OF CONTENTS  
Sheet 1

30532-E

30689-E      ELECTRIC TABLE OF CONTENTS  
PRELIMINARY STATEMENT  
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**  
**TAX ACT MEMORANDUM ACCOUNT - ELECTRIC**

Sheet 2 (N)  
 (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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Advice Letter No: 3859-E-A  
 Decision No. Resolution L-411A

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

Date Filed October 21, 2011  
 Effective April 14, 2011  
 Resolution No. \_\_\_\_\_



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**PRELIMINARY STATEMENT**

Sheet 17

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Part FI	Operations and Maintenance Contingency Balancing Account.....	29478-E
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Part FO	AB32 Cost of Implementation Fee Memorandum Account – Electric.....	28120-E
Part FQ	Meter Reading Costs Balancing Account.....	30380-E*
Part FR	Tax Act Memorandum Account – Electric	30686-30687-E (N)

(Continued)

Advice Letter No: 3859-E-A  
 Decision No. Resolution L-411A

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

Date Filed October 21, 2011  
 Effective April 14, 2011  
 Resolution No. \_\_\_\_\_

# **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	(221)	(70)
2	0	0
3	69	13
4	<u>(151)</u>	<u>(57)</u>
5	0	0
6	<u><u>(151)</u></u>	<u><u>(57)</u></u>
7	ED* (132)	GD* (35)
8	EG* (19)	GT* (21)

Service Function Adjustment:

- 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
- d. Is the TAMA-E over-collected and TAMA-G under-collected? NO

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

# **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**

**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)

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.

	2011		2012		2013		2011 thru 2013 Total	
	Distribution	Generation	Distribution	Generation	Distribution	Generation	Distribution	Generation
<b>Section A - Impact of Adopted Capital Additions</b>								
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)
<b>Section B - Impact of Additional Infrastructure Investment</b>								
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
<b>Section C - Impact of Other Items Resulting from TRA</b>								
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
20 Total Change in Revenue Requirement (A + B + C)	(9)	17	(51)	(14)	(72)	(22)	(132)	(19)

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

**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)

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.

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

\* Amounts are calculated in the Simplified Model. The Revenue Requirement (L-15) 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	<b>A. Impact of Tax Relief Act on Adopted Additions</b>					
2	<u>Sep thru Dec 2010 Additions</u>					
3	<b>TRA Qualified Capital Additions</b>	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	<u>2011 Additions</u>					
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	<u>2012 Additions</u>					
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	<b>Total TRA Incremental Depreciation</b>	431	1,889	744	(271)	L8+L15+L22
24						
25	<u>Incremental Deferred Tax</u>					
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	<u>Rate Base Adjustment - Average Year</u>					
30	Deferred Taxes		(426)	(920)	(1,033)	Previous Year L28 Plus 41.66% of Current Year L27 (Negative)
31						
32	<u>Net Operating Loss (NOL)</u>					
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	<b>Total Rate Base Adjustment</b>		(372)	(844)	(1,033)	L30+L41
44	Pre-Tax Cost of Capital (%)		12.92%	12.92%	12.92%	Attachment 8
45	<b>Change in Annual RRQ on Adopted Capital Additions</b>		(48)	(109)	(133)	L43*L44
46	Accumulated Revenue Requirements on Adopted Additions		(48)	(157)	(291)	ACC(L45)
47						
48	<b>B. Additional Utility Infrastructure Investment</b>					
49	<u>2011 Additions</u>					
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	<u>2012 Additions</u>					
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	<b>Annual RRQ on Additional Investment</b>		0	0	0	L52+L56
59						
60	<b>C. Other RRQ Impacts Resulting from Taking Bonus Depreciation</b>					
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 Capital (Attachment 8)
63	ITCC Adjustment		9	12	14	Elec Dist L63 + Gas Dist L63
64	<b>Change in Annual RRQ on Other Impacts</b>		51	22	10	sum(L61:L63)
65						
66	<b>Total Change in Annual Revenue Requirements</b>		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	<b>A. Impact of Tax Relief Act on Adopted Additions</b>					
2	<u>Sep thru Dec 2010 Additions</u>					
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	<u>2011 Additions</u>					
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	<u>2012 Additions</u>					
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	<u>Incremental Deferred Tax</u>					
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	<u>Rate Base Adjustment - Average Year</u>					
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	<b>Change in Annual RRQ on Adopted Capital Additions</b>		(9)	(17)	(21)	L43*L44
46	Accumulated Revenue Requirements on Adopted Additions		(9)	(26)	(46)	ACC(L45)
47						
48	<b>B. Additional Utility Infrastructure Investment</b>					
49	<u>2011 Additions</u>					
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	<u>2012 Additions</u>					
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	<b>Annual RRQ on Additional Investment</b>	0	0	0		L52+L56
59						
60	<b>C. Other RRQ Impacts Resulting from Taking Bonus Depreciation</b>					
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	<b>Change in Annual RRQ on Other Impacts</b>	26	2	(1)		sum(L61:L63)
65						
66	<b>Total Change in Annual Revenue Requirements</b>	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	<b>A. Impact of Tax Relief Act on Adopted Additions</b>					
2	<u>Sep thru Dec 2010 Additions</u>					
3	<b>TRA Qualified Capital Additions</b>	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	<u>2011 Additions</u>					
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	<u>2012 Additions</u>					
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	<u>Incremental Deferred Tax</u>					
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	<u>Rate Base Adjustment - Average Year</u>					
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	<b>Change in Annual RRQ on Adopted Capital Additions</b>		(27)	(66)	(81)	L43*L44
46	Accumulated Revenue Requirements on Adopted Additions		(27)	(93)	(174)	ACC(L45)
47						
48	<b>B. Additional Utility Infrastructure Investment</b>					
49	<u>2011 Additions</u>					
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	<u>2012 Additions</u>					
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	<b>C. Other RRQ Impacts Resulting from Taking Bonus Depreciation</b>					
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	<b>Total Change in Annual Revenue Requirements</b>		(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	<b>A. Impact of Tax Relief Act on Adopted Additions</b>					
2	<u>Sep thru Dec 2010 Additions</u>					
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	<u>2011 Additions</u>					
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	<u>2012 Additions</u>					
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	<u>Incremental Deferred Tax</u>					
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	<u>Rate Base Adjustment - Average Year</u>					
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	<b>Change in Annual RRQ on Adopted Capital Additions</b>		(7)	(18)	(21)	L43*L44
46	Accumulated Revenue Requirements on Adopted Additions		(7)	(25)	(46)	ACC(L45)
47						
48	<b>B. Additional Utility Infrastructure Investment</b>					
49	<u>2011 Additions</u>					
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	<u>2012 Additions</u>					
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	<b>Annual RRQ on Additional Investment</b>		0	0	0	L52+L56
59						
60	<b>C. Other RRQ Impacts Resulting from Taking Bonus Depreciation</b>					
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	<b>Change in Annual RRQ on Other Impacts</b>		5	4	2	sum(L61:L63)
65						
66	<b>Total Change in Annual Revenue Requirements</b>		(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	<b>A. Impact of Tax Relief Act on Adopted Additions</b>						
2	<u>Sep thru Dec 2010 Additions</u>						
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	<u>2011 Additions</u>						
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	<u>2012 Additions</u>						
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	<u>Incremental Deferred Tax</u>						
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	<u>Rate Base Adjustment - Average Year</u>						
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	<b>Change in Annual RRQ on Adopted Capital Additions</b>		(5)	(9)	(10)	(9)	L43*L44
46	Accumulated Revenue Requirements on Adopted Additions		(5)	(14)	(24)	(33)	ACC(L45)
47							
48	<b>B. Additional Utility Infrastructure Investment</b>						
49	<u>2011 Additions</u>						
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	<u>2012 Additions</u>						
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	<b>Annual RRQ on Additional Investment</b>		0	0	0	0	L52+L56
59							
60	<b>C. Other RRQ Impacts Resulting from Taking Bonus Depreciation</b>						
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	<b>Change in Annual RRQ on Other Impacts</b>		2	1	(0)	0	sum(L61:L63)
65							
66	<b>Total Change in Annual Revenue Requirements</b>		(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	<b>A. Impact of Tax Relief Act on Adopted Additions</b>					
2						
3	<b>Adopted Taxable Income</b>					
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	<b>Total</b>	<b>1,118</b>	<b>1,515</b>			
9						
10	<b>B. Incremental Additional Infrastructure Investment</b>					
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	<b>Total</b>	<b>-</b>	<b>-</b>			
16						
17	<b>C. Other RRQ Impacts Resulting from Taking Bonus Depreciation</b>					
18						
19	<b>i Manufacturer's Tax Deduction (%)</b>					
20	Electric Generation		9%	9%	9%	
21						
22	<b>ii Working Cash - Ratebase Impact (%)</b>					
23	Federal Income Tax		19%			Attachment 10
24	Deferred Federal Income Taxes		11%			Attachment 10
25						
26	<b>iii ITCC</b>					
27	Electric Distribution		7	9	11	Attachment 12
28	Gas Distribution		2	2	3	Attachment 12
29	<b>Total</b>		<b>9</b>	<b>12</b>	<b>14</b>	

# **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			Audit Experience Factor (%)	TRA** Qualified Capital Additions		
	(a)	(b)	(c)		(a x d)	(b x d)	(c x d)
	2010	2011	2012		2010	2011	2012
	Sep-Dec				Sep-Dec		
<b>2011 General Rate Case</b>							
1	Electric Generation*	292	336	336	253	290	290
2	Electric Distribution	426	1,301	1,301	406	1,241	1,241
3	Gas Distribution	105	360	360	99	341	341
4	Sub-total	823	1,997	1,997	758	1,873	1,873
<b>2011 Gas Transmission &amp; Storage Rate Case</b>							
5	Gas Transmission & Storage	152	151	120	146	144	115
6	<b>Total</b>	<b>975</b>	<b>2,149</b>	<b>2,117</b>	<b>903</b>	<b>2,017</b>	<b>1,987</b>

\* 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.

# **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			2012		
			2011			Direct Including General	Common Allocation	Total
		(a)	(b)	(c)	(d = b+c)	(e)	(f)	(g = e+f)
<b>2011 General Rate Case (GRC)</b>								
<u>Electric Distribution</u>								
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 <sup>3</sup>	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 <sup>3</sup>	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 <sup>3</sup>	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 <sup>3</sup>	Eligible	31,616	-	31,616	31,616	-	31,616
32	<b>Sub-total Electric Distribution</b>		<b>1,197,437</b>	<b>103,675</b>	<b>1,301,112</b>	<b>1,197,437</b>	<b>103,675</b>	<b>1,301,112</b>
<u>Gas Distribution</u>								
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 <sup>3</sup>	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 <sup>3</sup>	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 <sup>3</sup>	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	<b>Sub-total Gas Distribution</b>		<b>309,121</b>	<b>50,819</b>	<b>359,940</b>	<b>309,121</b>	<b>50,819</b>	<b>359,940</b>

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			2012		
			2011			Direct Including General	Common Allocation	Total
		(a)	(b)	(c)	(d = b+c)	(e)	(f)	(g = e+f)
<b>2011 General Rate Case (GRC)</b>								
<u>Electric Generation</u>								
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 DCPD 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	<b>Sub-total Electric Generation</b>		<b>284,168</b>	<b>52,167</b>	<b>336,335</b>	<b>284,168</b>	<b>52,167</b>	<b>336,335</b>
70	<b>Chargebacks</b>	Ineligible	(4,664)	-	(4,664)	(4,664)	-	(4,664)
71	<b>Total 2011 General Rate Case</b>		<b>1,786,061</b>	<b>206,662</b>	<b>1,992,723</b>	<b>1,786,061</b>	<b>206,662</b>	<b>1,992,723</b>
<b>2011 Gas Transmission &amp; Storage (GT&amp;S) Rate Case</b>								
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 <sup>3</sup>	Eligible	29,184		29,184 <sup>1</sup>	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 <sup>2</sup>	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 <sup>3</sup>	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	<b>Total 2011 Gas Trans. &amp; Storage Rate Case</b>		<b>140,423</b>	<b>10,724</b>	<b>151,147</b>	<b>112,190</b>	<b>7,617</b>	<b>119,807</b>
92	<b>GRAND TOTAL 2011 GRC &amp; 2011 GT&amp;S Cases</b>		<b>1,926,484</b>	<b>217,386</b>	<b>2,143,870</b>	<b>1,898,252</b>	<b>214,279</b>	<b>2,112,530</b>

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 (a)	Cost (b)	Weighted Cost (c = a x b)	Tax Gross-up Factor (d)	Pre-Tax Cost (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%		<b>12.92%</b>
						(To Attachment 5)
5	Tax Gross-up Factor					
6	Federal Income Tax Rate	35.00%				
7	State Income Tax Rate	8.84%				
8	Composite Rate Factor*	40.75%			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	<b>MTD Benefit</b>	<b><u>(20.6)</u></b>	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)							
Line No.		Average Daily		Avg No of Days Lag in Paying	Weighted Average	Rate Base Impact	Line No.
		Amount (A)	Amount (B)	Expenses (C)	(D)	(E)	
		FIT Percentage = Ratebase change divided by FIT change: <b>19% = 93,401 / 486,778</b>					
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 Unempl	0	0	75.08	0	0	14
15	State Unemploy	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	<b>Total</b>	<b>109,790</b>	<b>301</b>	<b>(491.22)</b>	<b>(147,756)</b>	<b>160,032</b>	<b>30</b>
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					<u>160,032</u>	35

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

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

**Attachment 11**

**Approved Advice 3176-G3784-E**

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,

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

Julie A. Fitch, Director  
Energy Division



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, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200

E-mail: [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov) and [inj@cpuc.ca.gov](mailto:inj@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>.

A handwritten signature in cursive script that reads "Jane Yura" followed by a date "1/11/10".

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:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Greg Backens

Phone #: 415-973-4390

E-mail: GAB4@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) #: **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:  Monthly  Quarterly  Annual  One-Time  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?  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

**ATTACHMENT 1  
Advice 3176-G**

**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**

Sheet 1

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 PG&E on or after September 9, 2010, and before January 1, 2012. As of January 1, 2012, the ITCC shall be calculated by multiplying the Balance of Contribution by the tax factor of 0.22 (22 percent). The 22 percent tax factor shall be applicable to contributions received by PG&E on or after January 1, 2012. 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.

(Continued)



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Advice Letter No: 3176-G  
 Decision No. D.87-09-026

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

Date Filed December 30, 2010  
 Effective September 9, 2010  
 Resolution No. \_\_\_\_\_



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(Continued)

**ATTACHMENT 1  
Advice 3784-E**

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

**Title of Sheet**

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

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29937-E	ELECTRIC PRELIMINARY STATEMENT PART J INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	29667-E
29938-E	ELECTRIC TABLE OF CONTENTS Sheet 1	29678-E
29939-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT 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 PG&E on or after September 9, 2010, and before January 1, 2012. As of January 1, 2012, the ITCC shall be calculated by multiplying the Balance of Contributions by the tax factor of 0.22 (22 percent). The 22 percent tax factor shall be applicable to contributions received by PG&E on or after January 1, 2012. 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.

(Continued)



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Sheet 1

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**PRELIMINARY STATEMENT**

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

**Attachment 2**

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

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
YEAR	PMT/(BEN) REFLECTING CIAC OF \$1,000	TAX BASIS	CALIFORNIA DEPRECIATION RATES	CALIFORNIA RATES	STATE TAX BENEFIT	MODIFIED MACRS RATES	FEDERAL TAX RATE	FEDERAL TAX BENEFIT	REMAINING CIAC PAYABLE	WTD. AVG. UNRECOVERED TAX PMT.	RATE OF RETURN	REVENUE REQUIREMENT ON REMAINING INVESTMENT	DISCOUNT FACTOR 0.12	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	0.000%		0.0000	17.7861	18.8323	17.000%	3.2015	0.0826	0.2646
23			2.367%		2.0924	0.000%		0.0000	15.6937	16.7399	17.000%	2.8458	0.0738	0.2100
24			2.367%		2.0924	0.000%		0.0000	13.6012	14.6474	17.000%	2.4901	0.0659	0.1641
25			2.367%		2.0924	0.000%		0.0000	11.5088	12.5550	17.000%	2.1344	0.0588	0.1256
26			2.367%		2.0924	0.000%		0.0000	9.4164	10.4626	17.000%	1.7786	0.0525	0.0934
27			2.367%		2.0924	0.000%		0.0000	7.3239	8.3702	17.000%	1.4229	0.0469	0.0667
28			2.367%		2.0924	0.000%		0.0000	5.2315	6.2777	17.000%	1.0672	0.0419	0.0447
29			2.367%		2.0924	0.000%		0.0000	3.1391	4.1853	17.000%	0.7115	0.0374	0.0266
30			2.367%		2.0924	0.000%		0.0000	1.0467	2.0929	17.000%	0.3558	0.0334	0.0119
31			1.184%		1.0467	0.000%		0.0000	(0.0000)	0.5233	17.000%	0.0890	0.0298	0.0027
32					0.0000	0.000%		0.0000	(0.0000)	(0.0000)	17.000%	0.0000	0.0266	0.0000
			<u>100.000%</u>		<u>88.4000</u>	<u>100.000%</u>		<u>0.0000</u>				<u>188.0041</u>		<u>79.5651</u>
	<u>88.4</u>							<u>88.4000</u>				79.5651	/ 1000	<u>7.9600%</u>
														<b>8.0000%</b>



**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.

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

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

# **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
<b>Baseline</b>							
<b>ITCC Amortization</b>							
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
<i>Subtotal Electric</i>	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
<i>Subtotal Gas</i>	8,037			8,286			8,534
<b>Total ITCC Amortization</b>	<b>50,319</b>			<b>52,198</b>			<b>54,077</b>
<b>ITCC Amortization Impacted by Tax Law**</b>							
Non Refundable Electric	35,255			34,672			34,055
Refundable Electric***	-			-			-
<i>Subtotal Electric</i>	35,255			34,672			34,055
Non Refundable Gas	5,964			5,964			5,978
Refundable Gas***	-			-			-
<i>Subtotal Gas</i>	5,964			5,964			5,978
<b>Total ITCC Amortization</b>	<b>41,219</b>			<b>40,636</b>			<b>40,033</b>
<b>(Reduction) Increase in Misc. Rev.:</b>							
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  
Advice Filing List  
General Order 96-B, Section IV**

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