

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 15, 2009

**Advice Letter 2975-G/3372-E**

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

**Subject: Tariff Revisions to Reflect an Increase in Income Tax  
Component of Contribution Tax Factor**

Dear Mr. Cherry:

Advice Letter 2975-G/3372-E is effective January 1, 2009.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director  
Energy Division

December 2, 2008

**Advice 2975-G/3372-E**

(Pacific Gas and Electric Company ID U 39 M)

**Subject:** Tariff Revisions to Reflect an Increase in Income Tax Component of Contribution Tax Factor

Public Utilities Commission of the State of California

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

**Purpose**

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

**Background**

PG&E's Preliminary Statements Parts P and J provide that Contributions in Aid of Construction and Advances for Construction (Contributions) consist of two components: the ITCC and the Balance of the Contribution (Balance of Contribution). The ITCC is calculated by multiplying the Balance of Contribution by the ITCC Tax Factor. The ITCC Tax Factor is established using Method 5 as set forth in Decision (D.) 87-09-026 and (D.) 87-012-028 in Order Instituting Investigation 86-11-019.

The ITCC Tax Factor is being revised in accordance with PG&E's Advice 2906-G/3212 –E, which temporarily set a lower ITCC Tax Factor due to a change in the Federal Depreciation Provisions of the Internal Revenue Code (IRC), pursuant to

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<sup>1</sup> PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights.

the Economic Stimulus Act of 2008 signed by President Bush on February 13, 2008 (P.L. 110-185; the "Act"). Section 103(a) of the Act modifies 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." Unless Congress provides for similar depreciation provisions in 2009, this provision allowing for 50 percent bonus depreciation allowances for certain property will sunset on December 31, 2008.

PG&E requests that the ITCC Tax Factor be changed to 0.31 (31 percent) for gas and 0.34 (34 percent) for electric. This has been calculated using the current statutory income tax rates of 8.84 percent (California) and 35 percent (Federal). It also reflects the temporary Federal depreciable tax life for gas distribution property of 15 years as adopted by the Energy Tax Incentives Act of 2005. This temporary Federal depreciable tax life for gas distribution property is set to sunset on December 31, 2010. The revised ITCC Tax Factor has been calculated and is set forth in Attachment II.

### **Tariff Revisions**

Gas Preliminary Statement Part P, *Section 5. a.* has been revised to reflect an ITCC Tax Factor of 0.31 (31 percent) on property contributed to PG&E after December 31, 2008 and before January 1, 2011.

In a similar fashion, Electric Preliminary Statement Part J, *Section 5. a* has been revised to reflect an ITCC Tax Factor of 0.34 (34 percent) on property contributed to PG&E after December 31, 2008.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by December 22, 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 [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Honesto Gatchalian, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and

facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

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

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

### **Effective Date**

PG&E requests that this advice filing become effective on January 1, 2009. PG&E submits this as a Tier 2 filing.

### **Notice**

In accordance with General Order 96-B, Section IV, copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to Rose De La Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

[http://www.pge.com/customer\\_services/business/tariffs/](http://www.pge.com/customer_services/business/tariffs/)



Vice President - Regulatory Relations

Attachments

# 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: David Poster

Phone #: (415) 973-1082

E-mail: dpxu@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) #: 2975-G/3372-E

Tier: 2

Subject of AL: Tariff Revisions to Reflect an Increase in Income Tax Component of Contribution Tax Factor

Keywords (choose from CPUC listing): ITCC

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

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

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

Resolution Required?  Yes  No

Requested effective date: January 1, 2009

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 Prelim Part P; Electric Prelim Part J

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: 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 Avenue**

**San Francisco, CA 94102**

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

**Pacific Gas and Electric Company**

**Attn: Brian K. Cherry**

**Vice President, Regulatory Relations**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)**

**ATTACHMENT 1  
Advice 3372-E**

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

**Title of Sheet**

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

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27851-E	ELECTRIC PRELIMINARY STATEMENT PART J INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	27174-E
27852-E	ELECTRIC TABLE OF CONTENTS Sheet 1	27849-E
27853-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 6	27649-E

**ATTACHMENT 1  
Advice 2975-G**

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

**Title of Sheet**

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

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27336-G	GAS PRELIMINARY STATEMENT PART P INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	26863-G
27337-G	GAS TABLE OF CONTENTS Sheet 1	27302-G
27338-G	GAS TABLE OF CONTENTS Sheet 4	27304-G



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

Sheet 1

J. INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION

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

2. DEFINITIONS:

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

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

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

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

4. GOVERNMENT AGENCY EXEMPTIONS:

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

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

5. DETERMINATION OF ITCC:

a. The ITCC shall be calculated by multiplying the Balance of Contribution by the tax factor of 0.34 (34 percent). The 34 percent tax factor shall be applicable to contributions received by PG&E on or after January 1, 2009. 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)  
 (T)  
 (D)

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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**PRELIMINARY STATEMENT**

Sheet 6

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Part E	CPUC Reimbursement Fee .....	21604-E
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**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 0.31 (31 percent). The 31 percent tax factor shall be applicable to contributions received by PG&E on or after January 1, 2009 and before January 1, 2011. 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)  
(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. (D)

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Advice Letter No: 2975-G  
 Decision No.

Issued by  
**Brian K. Cherry**  
 Vice President  
 Regulatory Relations

Date Filed December 2, 2008  
 Effective January 1, 2009  
 Resolution No. \_\_\_\_\_



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Sheet 4

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(T)

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

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
BART	Duke Energy	R. W. Beck & Associates
BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
Bartle Wells Associates	Ellison Schneider & Harris LLP	Recon Research
Blue Ridge Gas	Energy Management Services, LLC	SCD Energy Solutions
Braun & Associates	FPL Energy Project Management, Inc.	SCE
C & H Sugar Co.	Foster Farms	SESCO
CA Bldg Industry Association	Foster, Wheeler, Martinez	SMUD
CAISO	Franciscan Mobilehome	SPURR
CLECA Law Office	G. A. Krause & Assoc.	Santa Fe Jets
CSC Energy Services	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Cotton Ginners & Growers Assn	Green Power Institute	Sequoia Union HS Dist
California Energy Commission	Hanna & Morton	Sierra Pacific Power Company
California League of Food Processors	Heeg, Peggy A.	Silicon Valley Power
California Public Utilities Commission	Hitachi	Smurfit Stone Container Corp
Calpine	Hogan Manufacturing, Inc.	Southern California Edison Company
Cameron McKenna	Imperial Irrigation District	St. Paul Assoc.
Cardinal Cogen	Innercite	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Cerox	Intestate Gas Services, Inc.	TFS Energy
Chamberlain, Eric	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chevron Company	JTM, Inc.	Tecogen, Inc.
Chris, King	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of Palo Alto	MBMC, Inc.	TransCanada
City of San Jose	MRW & Associates	Turlock Irrigation District
Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
Constellation New Energy	Mirant	Vandenberg Air Force
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	