



**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 0.22 (22 percent). The 22 percent tax factor shall be applicable to contributions received by PG&E before January 1, 2010. PG&E will file an advice letter to reflect any changes in the tax factor which would cause an increase or decrease of five percentage points or more. (T)

b. The tax factor is established by using Method 5 as set forth in Decisions 87-09-026 and 87-12-028 in OII 86-11-019. (T)

(Continued)



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Sheet 2

J. INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION (Cont'd.)

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| 6. | STATE TAXES: Should any California state tax be imposed on Contributions in Aid of Construction or other Contributions, it shall be collected in accordance with Ordering Paragraph 6 of Decision No. 87-09-026. However, in the event state tax is applied retrospectively, PG&E may collect such tax through general rates for the retroactive period.   | (T)<br>(N)<br>(N) | (L)<br> <br> <br>                   |
| 7. | INTERNAL REVENUE SERVICE: PG&E shall recover through rates any penalties, interest, or taxes incurred if the Internal Revenue Service deems the method of tax collection authorized by Decision No. 87-09-026 to be a violation of the tax normalization rules and imposes additional taxes, penalties, and interest.  | (T)               | <br> <br> <br> <br> <br>(L)         |
|    |  | (D)               | <br> <br> <br> <br> <br>(D)         |
| 8. | REFUNDS: Any refund shall include an ITCC using a tax factor that reflects the tax benefit actually realized by PG&E through tax deductability in the year the refund occurs. In any event, the tax refund will not exceed the tax advanced.   | (T)               | (N)<br> <br>(N)                     |
| 9. | INTEREST RATE: When interest is payable under this part of the Preliminary Statement by PG&E to the contributor, the interest rate shall be 1/12 of the most recent month's interest rate on commercial paper (prime, three months), published in the Federal Reserve Statistical Release, G.13. Should publication of the interest rate on commercial paper (prime, three months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on commercial paper which most closely approximates the rate that was discontinued and which is published in the Federal Reserve Statistical Release, G.13, or its successor publication. | (T)<br>(T)        | (L)<br> <br> <br> <br> <br> <br>(L) |