

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 19, 2013

Advice Letter 3435-G/4321-E

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: Revision of PG&E's Tariffs to Reflect Changes in the Income Tax
Component of Contribution Tax Factors.**

Dear Mr. Cherry:

Advice Letter 3435-G/4321-E is effective January 1, 2014.

Sincerely,

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

Edward F. Randolph, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.7226

November 26, 2013

Advice 3435-G/4321-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Revision of PG&E's Tariffs to Reflect Changes in the Income Tax Component of Contribution Tax Factors

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its gas and electric Preliminary Statements Parts P and J respectively, -- *Income Tax Component of Contributions Provision*, to reflect an increase back to the prior tax factor used to compute the "Income Tax Component of Contribution (ITCC)" associated with Contributions in Aid of Construction.

Purpose

In this advice letter, PG&E requests that the California Public Utilities Commission (CPUC or Commission) revert the ITCC tax factor from 0.22 (22 percent) back to 0.35 (35 percent) for gas contributions and from 0.22 (22 percent) back to 0.34 (34 percent) for electric contributions.

Background

Since February of 2008, the Federal Government has enacted, each time on a temporary basis, a series of income tax revisions intended to promote investment in capital projects. A detailed discussion describing the historical changes in the ITCC tax factors as a result of changes to the Federal Depreciation Provisions is presented in PG&E's Advice 3346-G/4148-E and 3346-G-A/4148-E-A.¹

Most recently on January 1, 2013, Congress passed and President Obama signed into law the American Taxpayer Relief Act of 2012 (ATRA), which temporarily extended the Federal Depreciation Provisions of the Internal Revenue Code (IRC). This impacted the factors used to compute the ITCC associated with Contributions in Aid of Construction through the end of 2013. The Federal Depreciation Provisions in ATRA expire on December 31, 2013. As a result, for contributions PG&E receives on

¹ On November 29, 2012, PG&E filed Advice 3346-G/4148-E, which reverted the ITCC tax factor back to 0.35 for gas contributions and to 0.34 for electric contributions. On January 4, 2013, PG&E filed Advice 3346-G-A/4148-E-A, which superceded Advice 3346-G/4148-E in its entirety and withdrew the revised tariff sheets.

or after January 1, 2014 the ITCC tax factors for gas contributions should revert back to 0.35 (35 percent) and electric contributions should revert back to 0.34 (34 percent). Ordering Paragraph (OP) 7 of Decision (D.) 87-09-026 requires the respondent utilities to file advice letters to reflect any change in the tax factor which would increase or decrease the rate by five percentage points or more.

To support the requested ITCC Tax Factors, PG&E has attached the calculation set forth in Method 5, as described in Decision D.87-09-026 and D.87-12-028 in Order Instituting Investigation (OII) 86-11-109. (Attachment 2)

Tariff Revisions

Gas Preliminary Statement Part P, *Section 5.a*, has been revised to modify the ITCC tax factor back to 0.35 (35 percent) on property contributed to PG&E on or after January 1, 2014.

Similarly, Electric Preliminary Statement Part J, *Section 5.a*, has been revised to modify the ITCC tax factor back to 0.34 (34 percent) on property contributed to PG&E effective January 1, 2014.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than December 16, 2013, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C

P.O. Box 770000
San Francisco, California 94177

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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this Tier 1 advice filing become effective on **January 1, 2014**.

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 PG&E at email address 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>



Vice President, Regulatory Relations

Attachment 1: Tariff Revisions
Attachment 2: The ITCC Tax Factor

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: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@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) #: **3435-G/4321-E**

Tier: 1

Subject of AL: **Revision of PG&E's Tariffs to Reflect Changes in the Income Tax Component of Contribution Tax Factors**

Keywords (choose from CPUC listing): Compliance, 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

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: **January 1, 2014**

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 and Electric Preliminary Statement Part J

Service affected and changes proposed: Increase the ITCC tax factor

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:

California Public Utilities Commission

Energy Division

EDTariffUnit

505 Van Ness Ave., 4th Flr.

San Francisco, CA 94102

E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**ATTACHMENT 1
Advice 3435-G**

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

Title of Sheet

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

30847-G	GAS PRELIMINARY STATEMENT PART P INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	28729-G
30848-G	GAS TABLE OF CONTENTS Sheet 1	30816-G
30849-G	GAS TABLE OF CONTENTS Sheet 4	30809-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 0.35 (35 percent). The 35 percent tax factor shall be applicable to contributions received by PG&E on or after January 1, 2014. 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)(I)
(T)
(T)
 - b. The tax factor is established by using Method 5 as set forth in Decisions 87-09-026 and 87-12-028 in OII 86-11-019.

(Continued)



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(Continued)

Advice Letter No: 3435-G
 Decision No. 87-09-026

Issued by
Brian K. Cherry
 Vice President
 Regulatory Relations

Date Filed November 26, 2013
 Effective _____
 Resolution No. _____



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(T)

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**ATTACHMENT 1
Advice 4321-E**

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

Title of Sheet

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

33210-E	ELECTRIC PRELIMINARY STATEMENT PART J INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	29937-E
33211-E	ELECTRIC TABLE OF CONTENTS Sheet 1	33207-E
33212-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 11	32642-E



ELECTRIC PRELIMINARY STATEMENT PART J
INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION

Sheet 1

J. INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION

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

2. DEFINITIONS:
 - a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and related income taxes provided by a person or agency to PG&E. The value of all contributions shall be based on PG&E's estimates or a contract value acceptable to PG&E. Contributions shall consist of two components, as follows:
 - 1) Income Tax Component of Contribution (ITCC); and
 - 2) The balance of the contribution, excluding income taxes (Balance of Contribution).
 - b. Government Agency: For purposes of administering this part of the preliminary statement, a government agency shall include the Federal Government, a California state, county, or local government agency.

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

4. GOVERNMENT AGENCY EXEMPTIONS:
 - a. Public Benefit: A contribution for a project will be considered a public benefit if, in the opinion of PG&E, the government agency making the contribution can clearly show that the contribution will benefit the public as a whole. Internal Revenue Service (IRS) Notice 87-82 dated December 3, 1987, excludes from the Public Benefit Exemption any government agency contribution associated with projects causing new or increased usage of utility service.
 - b. Condemnation: Contributions resulting from condemnation of company facilities, or the threat or imminence thereof may be excluded from the ITCC requirement when supported by evidence acceptable to PG&E provided by the government agency.

5. DETERMINATION OF ITCC:
 - a. The ITCC shall be calculated by multiplying the Balance of Contribution by the tax factor of 0.34 (34 percent). The 34 percent tax factor shall be applicable to contributions received by PG&E on or after January 1, 2014. 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)(I)
(T)
(T)
 - b. The tax factor is established by using Method 5 as set forth in Decisions 87-09-026 and 87-12-028 in OII 86-11-019.

(Continued)



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PRELIMINARY STATEMENT

Sheet 11

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Attachment 2:

The ITCC Tax Factor

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

1st Light Energy	Douglass & Liddell	OnGrid Solar
AT&T	Downey & Brand	Pacific Gas and Electric Company
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Praxair
Anderson & Poole	G. A. Krause & Assoc.	Regulatory & Cogeneration Service, Inc.
BART	GenOn Energy Inc.	SCD Energy Solutions
Barkovich & Yap, Inc.	GenOn Energy, Inc.	SCE
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SDG&E and SoCalGas
Braun Blaising McLaughlin, P.C.	Green Power Institute	SPURR
California Cotton Ginners & Growers Assn	Hanna & Morton	San Francisco Public Utilities Commission
California Energy Commission	In House Energy	Seattle City Light
California Public Utilities Commission	International Power Technology	Sempra Utilities
California State Association of Counties	Intestate Gas Services, Inc.	SoCalGas
Calpine	K&L Gates LLP	Southern California Edison Company
Casner, Steve	Kelly Group	Spark Energy
Cenergy Power	Linde	Sun Light & Power
Center for Biological Diversity	Los Angeles Dept of Water & Power	Sunshine Design
City of Palo Alto	MRW & Associates	Tecogen, Inc.
City of San Jose	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
Clean Power	Marin Energy Authority	TransCanada
Coast Economic Consulting	McKenna Long & Aldridge LLP	Utility Cost Management
Commercial Energy	McKenzie & Associates	Utility Power Solutions
County of Tehama - Department of Public Works	Modesto Irrigation District	Utility Specialists
Crossborder Energy	Morgan Stanley	Verizon
Davis Wright Tremaine LLP	NLine Energy, Inc.	Water and Energy Consulting
Day Carter Murphy	NRG Solar	Wellhead Electric Company
Defense Energy Support Center	Nexant, Inc.	Western Manufactured Housing Communities Association (WMA)
Dept of General Services	North America Power Partners	
Division of Ratepayer Advocates	Occidental Energy Marketing, Inc.	