

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 29, 2015

**Advice Letter 3548-G/4556-E**

Meredith Allen  
Senior Director, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

**Subject: Revision of PG&E's Tariffs and Request for Authority to Issue Refunds of a Portion of the Income Tax Component of Contribution in Light of Recent Retroactive Changes in Tax Law**

Dear Ms. Allen:

Advice Letter 3548-G/4556-E is effective December 30, 2014.

Sincerely,

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

Edward Randolph  
Director, Energy Division



**Meredith Allen**  
Senior Director  
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

December 30, 2014

**Advice 3548-G/4556-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 and Request for Authority to Issue Refunds of a Portion of the Income Tax Component of Contribution in Light of Recent Retroactive Changes in Tax Law**

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 recent legislation retroactively changing tax factors used to compute the Income Tax Component of Contribution (ITCC) associated with Contributions in Aid of Construction for 2014.

**Purpose**

In this advice letter, PG&E is notifying the California Public Utilities Commission (CPUC or Commission) that the ITCC tax factor for customers who make or have made payments in 2014 should be retroactively revised from 0.35 (35 percent) to 0.22 (22 percent) for gas contributions and from 0.34 (34 percent) to 0.22 (22 percent) for electric contributions in light of recent legislation. PG&E will issue refunds for the difference in ITCC rates to customers for payments received in 2014. The legislation does not change the tax factors affecting ITCC for 2015, so the 2015 rates will not change from what is currently provided in the tariffs.

**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.<sup>1</sup> Many of these changes have been retroactive.

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 expired on December 31, 2013. As a result, for contributions PG&E received on or after January 1, 2014 the ITCC tax factors for gas contributions reverted back to 0.35 (35 percent) and electric contributions back to 0.34 (34 percent).<sup>2</sup>

Most recently, on December 19, President Obama signed the Tax Increase Prevention Act of 2014 (Act) which this time retroactively extended the Federal Depreciation Provisions of the IRC through December 31, 2014. As a result, the ITCC tax factor should have been 0.22 (22 percent) for electric and gas contributions received between January 1, 2014 and December 31, 2014, and not the rates stated in Electric Preliminary Statement J or Gas Preliminary Statement P. The temporary extension of the Federal Depreciation Provisions will expire on December 31, 2014. As such, the ITCC tax factor will revert to 0.35 (35 percent) for gas contributions and 0.34 (34 percent) for electric contributions received on and after January 1, 2015 (the rates currently in Electric Preliminary Statement J or Gas Preliminary Statement P).

To support the retroactive 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 1).

### **PG&E Will Refund for Payments Made in 2014**

In light of the retroactive reduction of the factors affecting the ITCC in 2014, PG&E will refund the difference between the then tariff rates from Electric Preliminary Statement J or Gas Preliminary Statement P and what the rates should have been in light of the Act. This equates to a retroactive reduction of the ITCC rate for electric from 34 percent to 22 percent and for gas from 35 percent to 22 percent.

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<sup>1</sup> 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 superseded Advice 3346-G/4148-E in its entirety and withdrew the revised tariff sheets.

<sup>2</sup> As noted in PG&E AL 3435-G/4321-E, filed November 26, 2013:

"The Federal Depreciation Provisions in ATRA expire on December 31, 2013. As a result, for contributions PG&E receives on 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)."

**Tariff Revisions**

PG&E is adding a footnote to Gas Preliminary Statement P and Electric Preliminary Statement J to clarify the ITCC rate for 2014. The current rate will remain in effect for 2015 (Attachment 2).

**Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than January 20, 2015, which is 21 days<sup>3</sup> after the date of this filing. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> 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:

Meredith Allen  
Senior Director, 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

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<sup>3</sup> The 20-day protest period concludes on a holiday, therefore, PG&E is moving this date to the following business day.

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 upon filing.

**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/>.

\_\_\_\_\_/S/

Meredith Allen  
Senior Director – 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: Jennifer Wirowek

Phone #: (415) 973-1419

E-mail: J6WS@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

Advice Letter (AL) #: **3548-G/4556-E**

**Tier: 1**

Subject of AL: **Revision of PG&E's Tariffs and Request for Authority to Issue Refunds of a Portion of the Income Tax Component of Contribution in Light of Recent Retroactive Changes in Tax Law**

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 #: \_\_\_\_\_

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: **December 30, 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 Part J**

Service affected and changes proposed: **Income Tax Component of Contributions (ITCC) tax factor revisions**

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 21 days<sup>1</sup> after the date of the initial filing, unless otherwise authorized by the Commission, and shall be sent to:

**California Public Utilities Commission**

**Energy Division**

**EDTariffUnit**

**505 Van Ness Ave., 4<sup>th</sup> Flr.**

**San Francisco, CA 94102**

**E-mail: EDTariffUnit@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Meredith Allen**

**Senior Director, Regulatory Relations**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: PGETariffs@pge.com**

<sup>1</sup> The 20-day protest period concludes on a holiday, therefore, PG&E is moving this date to the following business day.

**Advice 3548-G/4556-E**

**December 30, 2014**

**ATTACHMENT 1**

**CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES**

**Effective January 1, 2014 (REVISED as a result of The Tax Increase Prevention  
Act of 2014)**

**Depreciation on 20 Year Property (Electric & Gas)**





**ATTACHMENT 2  
Advice 3548-G**

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

**Title of Sheet**

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

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31818-G	GAS PRELIMINARY STATEMENT PART P INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	30847-G
31819-G	GAS TABLE OF CONTENTS Sheet 1	31733-G
31820-G	GAS TABLE OF CONTENTS Sheet 4	31736-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, 2015. 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.<sup>1</sup> (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.

<sup>1</sup> Pursuant to the Tax Increase Prevention Act of 2014 which retroactively extended the Federal Depreciation Provisions of the Internal Revenue Code through December 31, 2014, the Tax Factor of 22 percent is applicable to contributions received by PG&E between January 1, 2014 and December 31, 2014. (N)  
 I  
 (N)

(Continued)



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Preliminary Statements.....	<b>31820</b> ,31697-G	(T)
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Part O	CPUC Reimbursement Fee .....	29460-G
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Part Q	Affiliate Transfer Fees Account .....	23275-G
Part S	Interest .....	12773-G
Part T	Tax Reform Act of 1986.....	12775-G
Part U	Core Brokerage Fee Balancing Account .....	23276-G
Part V	California Alternate Rates For Energy Account .....	23358,28778-G
Part X	Liquefied Natural Gas Balancing Account .....	27454-G
Part Y	Customer Energy Efficiency Adjustment.....	28301,28302,28663,28664-G

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**ATTACHMENT 2  
Advice 4556-E**

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

**Title of Sheet**

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

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34637-E	ELECTRIC PRELIMINARY STATEMENT PART J INCOME TAX COMPONENT OF CONTRIBUTIONS PROVISION Sheet 1	33210-E
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34639-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 11	34622-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, 2015. 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.<sup>1</sup> (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.

<sup>1</sup> Pursuant to the Tax Increase Prevention Act of 2014 which retroactively extended the Federal Depreciation Provisions of the Internal Revenue Code through December 31, 2014, the Tax Factor of 22 percent is applicable to contributions received by PG&E between January 1, 2014 and December 31, 2014. (N)  
 |  
 (N)

(Continued)



**ELECTRIC TABLE OF CONTENTS**

Sheet 1

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	Maps, Contracts and Deviations.....	34526-E	
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**PRELIMINARY STATEMENT**

Sheet 11

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Part H	Interest .....	10579-E
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Part U	Capital Audit Consultant Cost Memorandum Account.....	17993-E
Part Y	Electric and Magnetic Field Measurement Policy .....	13399-E

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

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