

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 21, 2017

Advice Letter 3789-G

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

Subject: Establish Tax Normalization Memorandum Account

Dear Mr. Jacobson:

Advice Letter 3789-G is effective as of January 1, 2015.

Sincerely,

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

Edward Randolph
Director, Energy Division

December 9, 2016

Advice 3789-G

(Pacific Gas and Electric Company ID U 39G)

Public Utilities Commission of the State of California

Subject Establish Tax Normalization Memorandum Account

Pacific Gas and Electric Company (PG&E) submits for filing revisions to its gas tariffs. The affected tariff sheets are listed on the enclosed Attachment 1.

Purpose

Pursuant to Ordering Paragraph (OP) 2 of Decision (D.) 16-12-010, PG&E submits this Tier 2 advice letter to establish new Gas Preliminary Statement Part DV – *Tax Normalization Memorandum Account (TNMA)*.

Background

On December 5, 2016, the California Public Utilities Commission (Commission or CPUC) issued D.16-12-010 finalizing the ratemaking treatment relating to the \$850 million penalty assessed in D.15-04-024. In response to concerns raised by PG&E, the Commission authorized PG&E to request a ruling from the Internal Revenue Service (IRS) on whether the Commission's implementation of the capital portion of the penalty might violate the normalization requirements of the Internal Revenue Code (Code).¹ PG&E is required to file a copy of any such request with the Commission in a Tier 1 advice letter at least 30 days before sending its request to the IRS.²

Should the IRS rule that the Commission's implementation is in violation of the normalization requirements of the Code (adverse ruling), PG&E will be required to adjust revenue requirements as of January 1, 2015, to avoid a normalization violation. The Commission authorized PG&E to establish the TNMA to make appropriate adjustments to the revenue requirement in the event of an adverse ruling.³ PG&E believes a possible consequence of an adverse ruling would be that PG&E will be required to exclude from the revenue requirement deferred taxes associated with the

¹ Page 31, Decision (D.) 16-12-010

² Ordering Paragraph (OP) 5, D.16-12-010

³ OP 2, D.16-12-010

capital portion of the \$850 million penalty.⁴ No amounts recorded in the TNMA are recoverable from customers until the IRS issues an adverse ruling and the Commission approves revenue requirements in a Tier 2 advice filing.⁵

Tariff Revisions

Establish Gas Preliminary Statement Part DV – *Tax Normalization Memorandum Account (TNMA)*.

The filing would not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

Protests

In accordance with OP 2 of D.16-12-010, anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than December 19, which is 10 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:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-1448
E-mail: PGETariffs@pge.com

⁴ Page 31, Decision (D.) 16-12-010

⁵ OP 5, D.16-12-010

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 2 advice filing be approved with an effective date of January 1, 2015.

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 and the parties on the service list for A.13-12-012. 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/

Erik Jacobson
Director, Regulatory Relations

Attachments

cc: 2015 Gas Transmission and Storage Proceeding (A.13-12-012)

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 G)**

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) #: **3789-G**

Tier: 2

Subject of AL: **Establish Tax Normalization Memorandum Account**

Keywords (choose from CPUC listing): Compliance, Memorandum Account

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.16-12-010

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, 2015**

No. of tariff sheets: **3**

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 DV - Tax Normalization Memorandum Account (TNMA)**

Service affected and changes proposed: 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 10 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: Erik Jacobson

Director, Regulatory Relations

c/o Megan Lawson

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**ATTACHMENT 1
Advice 3789-G**

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

Title of Sheet

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

33104-G GAS PRELIMINARY STATEMENT PART DV
TAX NORMALIZATION MEMORANDUM
ACCOUNT (TNMA)
Sheet 1

33105-G GAS TABLE OF CONTENTS
Sheet 1

33044-G

33106-G GAS TABLE OF CONTENTS
Sheet 6

32815-G



GAS PRELIMINARY STATEMENT PART DV
TAX NORMALIZATION MEMORANDUM ACCOUNT (TNMA)

Sheet 1 (N)
 (N)

- DV. Tax Normalization Memorandum Account (TNMA) (N)
1. **PURPOSE:** The purpose of the Tax Normalization Memorandum Account (TNMA) is to record and track adjustments to the 2015-2018 Gas Transmission and Storage revenue requirements that may become necessary, as of January 1, 2015, if the Internal Revenue Service rules that the implementation in Decision (D.)16-12-010 of the capital portion of the \$850 million penalty (first imposed in D 15-04-024) is in violation of the normalization requirements of the Internal Revenue Code ("adverse ruling"). Any such adverse ruling may require PG&E to recover the revenue requirements associated with deferred taxes computed on the \$688.5 million capital portion of the disallowance. No amounts are recoverable from customers until there is an adverse ruling and an approved Tier 2 advice filing.
 2. **APPLICABILITY:** The TNMA applies to all customer classes, except for those specifically excluded by the Commission.
 3. **REVISION DATE:** Disposition of the balances in the TNMA account will be through a transfer to the accounts as determined by the Commission.
 4. **RATES:** The TNMA does not have a rate component.
 5. **ACCOUNTING PROCEDURE:** PG&E will maintain the TNMA by making the following entries, as of January 1, 2015, as appropriate:
 - a. Debit entries equal to the increase in the gas transmission and storage revenue requirements by function (backbone transmission, local transmission, storage, and customer access charge) with segmentation between core, noncore, and G-XF as appropriate that results from the exclusion of deferred taxes associated with the capital portion of the \$850 million penalty and/or any other revenue requirement adjustments necessary to avoid a normalization violation in the event of an adverse ruling;
 - b. Entries to transfer all or a portion of the balances to any other accounts as authorized by the Commission; and,
 - c. Entries equal to the interest on the average balances 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.

(Continued)

Advice Letter No: 3789-G
 Decision No. 16-12-010

Issued by
Steven Malnight
 Senior Vice President
 Regulatory Affairs

Date Filed December 9, 2016
 Effective January 1, 2015
 Resolution No. _____



GAS TABLE OF CONTENTS

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(Continued)

Advice Letter No: 3789-G
 Decision No. 16-12-010

Issued by
Steven Malnight
 Senior Vice President
 Regulatory Affairs

Date Filed December 9, 2016
 Effective _____
 Resolution No. _____



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Sheet 6

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Part DP	Transmission Integrity Management Program Memorandum Account.....	32806-G
Part DQ	Engineering Critical Assessment Balancing Account (ECABA)	32809-G
Part DR	Hydrostatic Station Testing Memorandum Account (HSTMA)	32810-G
Part DS	Work Required by Others Balancing Account (WROBA).....	32811-G
Part DT	Critical Document Program Memorandum Account (CDPMA)	32812-G
Part DV	Tax Normalization Memorandum Account (TNMA)	33104-G (N)
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Rule 04	Contracts	17051-G
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(Continued)

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

AT&T	Division of Ratepayer Advocates	Office of Ratepayer Advocates
Albion Power Company	Don Pickett & Associates, Inc.	OnGrid Solar
Alcantar & Kahl LLP	Douglass & Liddell	Pacific Gas and Electric Company
Anderson & Poole	Downey & Brand	Praxair
Atlas ReFuel	Ellison Schneider & Harris LLP	Regulatory & Cogeneration Service, Inc.
BART	Evaluation + Strategy for Social Innovation	SCD Energy Solutions
Barkovich & Yap, Inc.	G. A. Krause & Assoc.	SCE
Bartle Wells Associates	GenOn Energy Inc.	SDG&E and SoCalGas
Braun Blaising McLaughlin & Smith, P.C.	GenOn Energy, Inc.	SPURR
Braun Blaising McLaughlin, P.C.	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Water Power and Sewer
CPUC	Green Charge Networks	Seattle City Light
California Cotton Ginners & Growers Assn	Green Power Institute	Sempra Energy (Socal Gas)
California Energy Commission	Hanna & Morton	Sempra Utilities
California Public Utilities Commission	ICF	SoCalGas
California State Association of Counties	International Power Technology	Southern California Edison Company
Calpine	Intestate Gas Services, Inc.	Southern California Gas Company (SoCalGas)
Casner, Steve	Kelly Group	Spark Energy
Cenergy Power	Ken Bohn Consulting	Sun Light & Power
Center for Biological Diversity	Leviton Manufacturing Co., Inc.	Sunshine Design
City of Palo Alto	Linde	Tecogen, Inc.
City of San Jose	Los Angeles County Integrated Waste Management Task Force	TerraVerde Renewable Partners
Clean Power	Los Angeles Dept of Water & Power	TerraVerde Renewable Partners, LLC
Clean Power Research	MRW & Associates	Tiger Natural Gas, Inc.
Coast Economic Consulting	Manatt Phelps Phillips	TransCanada
Commercial Energy	Marin Energy Authority	Troutman Sanders LLP
Cool Earth Solar, Inc.	McKenna Long & Aldridge LLP	Utility Cost Management
County of Tehama - Department of Public Works	McKenzie & Associates	Utility Power Solutions
Crossborder Energy	Modesto Irrigation District	Utility Specialists
Crown Road Energy, LLC	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	ORA	YEP Energy