

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE



September 16, 2020

**Advice 5825-E; 5825-E-A; 5825-E-B**

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: PG&E's Final Financial and Tax Information for the Sale of Narrows  
Hydroelectric Project to the Yuba County Water Agency**

Dear Mr. Jacobson:

Advice Letter 5825-E; 5825-E-A; 5825-E-B is effective as of May 14, 2020.

Sincerely,

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

Edward Randolph  
Deputy Executive Director for Energy and Climate Policy/  
Director, Energy Division



**Erik Jacobson**  
Director  
Regulatory Relations

Pacific Gas and Electric Company  
77 Beale St., Mail Code B13U  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415-973-3582

August 5, 2020

**Advice 5825-E-B**

(Pacific Gas and Electric Company – U 39 E)

Public Utilities Commission of the State of California

**Subject: Second Supplemental: PG&E's Final Financial and Tax Information for the Sale of Narrows Hydroelectric Project to the Yuba County Water Agency**

**Purpose**

Pacific Gas and Electric Company (PG&E) submits this advice letter in compliance with Ordering Paragraph (OP) 3 of Decision (D.) 19-10-010, which requires PG&E to true-up the final financial and tax information within 45-days of the closing of the sale of the Narrows Hydroelectric Project (Narrows Project) to the Yuba County Water Agency (YCWA). The sale of the Narrows Project to YCWA was completed on March 31, 2020.

This second supplemental advice letter supersedes Advice 5825-E-A in part. While the Attachment 1 is being replaced, the advice letter contained in original Advice 5825-E remains unchanged.

**Background**

On April 18, 2019, PG&E filed Application (A.) 19-04-011 requesting that the California Public Utilities Commission (Commission or CPUC) authorize the sale by PG&E of the Narrows Project to YCWA as set forth in the Purchase and Sale Agreement (PSA), dated September 21, 2018. This PSA was included as Attachment A to A.19-04-011.

On October 10, 2019, the Commission adopted D.19-10-010, which authorized the sale of the Narrows Project to YCWA, approved PG&E's proposed approach to ratemaking, and ordered PG&E to submit a Tier 1 advice letter within 45-days following closing to true-up the final financial and tax information related to the transaction.

The purpose of this supplemental advice letter is to provide clarifying information regarding the treatment of taxes in a revised Attachment 1.

**Final Gain/Loss on Sale Allocation and Tax Information**

In compliance with D.19.10-010, the below Table 1 represents the final financial information for the Narrows Project sale to YCWA. Table 1 has been updated with adjustments to the land book net value and tax net value to remove negative assets and to conform the tax basis for non-depreciable land to book basis. The final tax information is included as Attachment 1 to this advice letter.

**Table 1**  
**Allocation of Gain/Loss on Sale**  
**Cost Update through March 31, 2020**  
**(shown in \$)**

	Gain(Loss) on Sale	Final Gain(Loss) on Sale
<b>Net Book Value</b>	[as of December 31, 2018]	[as of March 31, 2020]
Net Plant: Land	189,863	190,445
Net Plant: Non-Land	3,906,245	3,082,087
Net Plant	4,096,108	3,272,532
Construction Work in Progress (CWIP)	823,190	844,422
Net Book Value	4,919,298	4,116,953
<b>Net Sales Proceeds</b>	457,500	271,425
<b>Total Pre-tax Gain (Loss)</b>	(4,461,798)	(3,845,528)
<b><u>Allocation of Loss Per Gain/Loss on Sale Decision:</u></b>		
<b>Depreciable Assets (Net Plant Non-Land and CWIP)</b>		
	(4,279,446)	(3,659,532)
100% to Ratepayers		
<b>Non-Depreciable Assets (Land)</b>		
67% to Ratepayers	(122,176)	(110,454)
33% to Shareholders	(60,176)	(75,542) <sup>1</sup>

### **Protests**

**\*\*\*Due to the COVID-19 pandemic and the shelter at home orders, PG&E is currently unable to receive protests or comments to this advice letter via U.S. mail or fax.**

<sup>1</sup> Includes \$21,140 payable to the taxing jurisdiction

**Please submit protests or comments to this advice letter to EDTariffUnit@cpuc.ca.gov and PGETariffs@pge.com\*\*\***

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than August 25, 2020, which is 20 days after the date of this submittal. 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:

Erik Jacobson  
Director, Regulatory Relations  
c/o Megan Lawson  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B13U  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-3582  
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**

In conjunction with original Advice 5825-E, this second supplemental Tier 1 advice letter is effective May 14, 2020.

**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.19-04-011. 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 submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

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

Erik Jacobson  
Director, Regulatory Relations

## Attachments

cc: Mark Pocta, California Public Advocates  
Stacey Hunter, California Public Advocates  
Service List A.19-04-011



# ADVICE LETTER 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 E)

Utility type:

- ELC       GAS       WATER  
 PLC       HEAT

Contact Person: Annie Ho

Phone #: (415) 973-8794

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: AMHP@pge.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas      WATER = Water  
 PLC = Pipeline      HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 5825-E-B

Tier Designation: 1

Subject of AL: Second Supplemental: PG&E's Final Financial and Tax Information for the Sale of Narrows Hydroelectric Project to the Yuba County Water Agency

Keywords (choose from CPUC listing): Compliance,

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.19-10-010

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:

Confidential treatment requested?  Yes  No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes  No

Requested effective date: 5/14/20

No. of tariff sheets: N/A

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:

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

Pending advice letters that revise the same tariff sheets: N/A

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name: Erik Jacobson, c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility Name: Pacific Gas and Electric Company  
Address: 77 Beale Street, Mail Code B13U  
City: San Francisco, CA 94177  
State: California Zip: 94177  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx: (415)973-3582  
Email: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: District of Columbia Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

**Pacific Gas and Electric**  
**Facility Sales - Narrows Hydroelectric Project**  
(DOLLARS)

**1 SALES PROCEEDS**

Sales Price	507,500
Net Escrow Costs	<u>(63,503)</u>
Cash to PG&E	443,997
Less: Transaction Costs	(5,000)
Less: Sales Tax PG&E owes to State Board	(720)
Less: Improvement Costs related to the sale	<u>(166,852)</u>
Net Sale Proceeds	<u><u>271,425</u></u>

**2 ALLOCATION OF SALES PROCEEDS BASED ON THE HISTORICAL COST OF PROPERTY**

	Historical Cost	Proportional %
Non-Depreciable Property (Land)	190,445	1.64%
Depreciable Property	10,586,007	91.09%
CWIP	844,422	7.27%
	<u>11,620,873</u>	<u>100.00%</u>

**3 GROSS GAIN/(LOSS) ON SALE**

	Historical Cost	Net Book Value	Sales Proceeds	Pre-Tax Gain/(Loss)	Book NBV	
Non-Depreciable Property (Land)	190,445	190,445	4,448	(185,996)		
Depreciable Property	10,586,007	3,082,087	247,254	(2,834,833)	3,082,087	
CWIP	844,422	844,422	19,723	(824,699)		
	<u>11,620,873</u>	<u>4,116,953</u>	<u>271,425</u>	<u>(3,845,528)</u>	<u>3,082,087</u>	Depreciable Net Book Value

**4 TAX GAIN/(LOSS) ON SALE**

	Historical Cost	Net Tax Value	Sales Proceeds	Pre-Tax Gain/(Loss)	Depreciable Net Tax Value	
Non-Depreciable Property (Land)	190,445	190,445	4,448	(185,996)		
Depreciable Property	10,586,007	2,610,922	247,254	(2,363,668)	2,610,922	
CWIP	844,422	844,422	19,723	(824,699)		
	<u>11,620,873</u>	<u>3,645,788</u>	<u>271,425</u>	<u>(3,374,363)</u>	<u>2,610,922</u>	Depreciable Net Tax Value
					471,165	Depr Net Book Value less Depr Net Tax
					131,851	Deferred Tax Liability / (Asset)

**5 GAIN/(LOSS) ALLOCATION**

	Operating System	Other Depreciable Assets	Land (Pre-Tax Allocation)	Sharing Allocation	Taxes 27.984%	After Tax Gain / (Loss)	
Ratepayers - 100% of Loss (Pre-Tax and After-Tax)	0%	100%	59%	(3,769,986)	1,054,993 *	(2,714,993)	(100% after-tax)
Ratepayers Pass-thru - 100% of Loss (Pre-Tax and After-Tax)				3,769,986	(1,054,993) *	2,714,993	
Shareholder	100%	0%	41%	(75,542)	21,140	(54,403)	
Total Gain/(Loss) Allocation	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>(75,542)</u>	<u>21,140</u>	<u>(54,403)</u>	

\* No tax impact as the ratepayer contribution / distribution will net the tax impact to zero.

**Attachment D Table Showing Sales Price, Expenses, and Tax Effects  
Facility Sale - Narrows Hydroelectric Project  
(Dollars)**

**6 TAXES ON PROPERTY**

	Net Tax Value	Sales Proceeds	Before Tax Gain/ (Loss)		Depreciable Property and CWIP
Non-Depreciable Property (Land)	190,445	4,448	(185,996)		
Depreciable Property	2,610,922	247,254	(2,363,668)		
CWIP	844,422	19,723	(824,699)		
Totals	<u>3,645,788</u>	<u>271,425</u>	<u>(3,374,363)</u>		
			<b>Land</b>		
Taxable Gain / (Loss)			(185,996) a		(3,659,532) a
Ratepayer Contribution / (Distribution)			110,454 b		3,659,532 b
Net Taxable Gain / (Loss)			(75,542) c=a-b		- c=a-b
Tax Rate			27.984% d		27.984% d
Net Federal and State Income Tax			(21,140) e=c*d		- e=c*d
After Tax Gain / (Loss)			<u>(164,857) f=a-e</u>		<u>(3,659,532) f=a-e</u>
After-Tax Ratepayers Allocation		67%	(110,454) g=f*67%	100%	(3,659,532) g=f*100%
After-Tax Shareholder Allocation		33%	(54,403) h=f*33%	0%	- h=f*0%
Taxing Jurisdiction Allocation (Shareholder)			(21,140) i=e		- i=e
Total Gain / (Loss) Allocation			<u>(185,996) j=g+h+i</u>		<u>(3,659,532) j=g+h+i</u>

**7 RATE BASE CHANGES**

	Beginning	Changes	Ending
Gross Plant	10,776,451	(10,776,451)	-
Depreciation Reserve (Book Accumulated Depreciation)	(7,503,920)	10,776,451	3,272,532
Property Sale Proceeds credited to Depreciation Reserve		(251,702)	(251,702)
Net Plant	<u>3,272,532</u>	<u>(251,702)</u>	<u>3,020,830</u>
Deferred Taxes	(131,851)	131,851	-
Total Rate Base of Assets Sold	<u>3,140,681</u>	<u>(119,851)</u>	<u>3,020,830</u>

**8 REGULATORY ASSET / (LIABILITY) CALCULATION**

Ending Rate Base after Asset Sale	3,020,830
CWIP Reduction (less assigned sales proceeds)	824,699
Tax Impact on Asset Sale	(21,140)
After Tax Loss allocated to Shareholders	(54,403)
Regulatory Asset to Collect in Rates	<u>3,769,986</u>

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

AT&T	Downey & Brand	Pioneer Community Energy
Albion Power Company	East Bay Community Energy	Redwood Coast Energy Authority
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Regulatory & Cogeneration Service, Inc.
Alta Power Group, LLC	Energy Management Service	SCD Energy Solutions
Anderson & Poole	Engineers and Scientists of California	
Atlas ReFuel	GenOn Energy, Inc.	SCE
BART	Goodin, MacBride, Squeri, Schlotz & Ritchie	SDG&E and SoCalGas
Barkovich & Yap, Inc.	Green Power Institute	SPURR
California Cotton Ginners & Growers Assn	Hanna & Morton	San Francisco Water Power and Sewer
California Energy Commission	ICF	Seattle City Light
California Public Utilities Commission	IGS Energy	Sempra Utilities
California State Association of Counties	International Power Technology	Southern California Edison Company
Calpine	Intestate Gas Services, Inc.	Southern California Gas Company
Cameron-Daniel, P.C.	Kelly Group	Spark Energy
Casner, Steve	Ken Bohn Consulting	Sun Light & Power
Cenergy Power	Keyes & Fox LLP	Sunshine Design
Center for Biological Diversity	Leviton Manufacturing Co., Inc.	Tecogen, Inc.
Chevron Pipeline and Power	Los Angeles County Integrated	TerraVerde Renewable Partners
City of Palo Alto	Waste Management Task Force	Tiger Natural Gas, Inc.
City of San Jose	MRW & Associates	TransCanada
Clean Power Research	Manatt Phelps Phillips	Troutman Sanders LLP
Coast Economic Consulting	Marin Energy Authority	Utility Cost Management
Commercial Energy	McKenzie & Associates	Utility Power Solutions
Crossborder Energy	Modesto Irrigation District	Water and Energy Consulting Wellhead
Crown Road Energy, LLC	NLine Energy, Inc.	Electric Company
Davis Wright Tremaine LLP	NRG Solar	Western Manufactured Housing
Day Carter Murphy	Office of Ratepayer Advocates	Communities Association (WMA)
Dept of General Services	OnGrid Solar	Yep Energy
Don Pickett & Associates, Inc.	Pacific Gas and Electric Company	
Douglass & Liddell	Peninsula Clean Energy	