

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



Pacific Gas & Electric Company
ELC (Corp ID 39)
Status of Advice Letter 7835E
As of March 26, 2026

Subject: Information Only Notification of Diablo Canyon Extended Operations Internal Revenue Service Private Letter Ruling Normalization Conclusion in Compliance with Decision 24-12-033, Ordering Paragraph 12

Division Assigned: Energy

Date Filed: 02-12-2026

Date to Calendar: 02-16-2026

Authorizing Documents: D2412033

Disposition:	Accepted
Effective Date:	02-12-2026

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

edtariffunit@cpuc.ca.gov

AL Certificate Contact Information:

Baylee Larson

(279) 789-6486

PGETariffs@pge.com

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to
edtariffunit@cpuc.ca.gov

February 12, 2026

Advice 7835-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Information Only – Notification of Diablo Canyon Extended Operations Internal Revenue Service Private Letter Ruling Normalization Conclusion in Compliance with Decision 24-12-033, Ordering Paragraph 12

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this information-only advice letter to comply with Decision (D.) 24-12-033, Ordering Paragraph 12, issued by the California Public Utilities Commission (CPUC or Commission) in resolving PG&E's Diablo Canyon Power Plant (DCPP) Extended Operations 2025 Forecast Application (A. 24-03-018), which requires PG&E to submit a copy of the Internal Revenue Service (IRS) conclusions on PG&E's normalization tax private ruling request with the Commission.

Background

On March 29, 2024, PG&E filed its first DCPP Extended Operations rate case Application for forecast year 2025, following the requirements of Senate Bill (SB) 846, as directed by the Commission in D. 23-12-036.¹ The cost recovery framework under SB 846 deviates from traditional rate-based cost recovery frameworks, such as the General Rate Case. Instead, SB 846 requires that all costs be recovered as an operating expense and prohibits rate base treatment for DCPP extended operations assets.²

Given the unique cost recovery framework of SB 846 which prohibits rate base, PG&E sought to mitigate Internal Revenue Code (IRC) tax normalization concerns by including a Normalization adjustment in the revenue requirement. PG&E also provided an "alternative approach" to track the amounts at issue and request an Internal Revenue Service (IRS) ruling. When applicable, the IRC tax normalization rules must be reflected

¹ Application of Pacific Gas and Electric Company (U39E) to Recover in Customer Rates the Costs to Support Extended Operation of Diablo Canyon Power Plant from September 1, 2023 through December 31, 2025, and for Approval of Planned Expenditure of 2025 Volumetric Performance Fees, A. 24-03-018.

² Public Utility Code Section 712.8(h)(1) states, "All costs shall be recovered as an operating expense and shall not be eligible for inclusion in the operator's rate base."

in ratemaking (e.g. rate base) to comply with these mandatory rules. All responsible utilities seek to avoid and mitigate IRC tax normalization violation concerns.

In D. 24-12-033, the Commission acknowledged PG&E's SB 846 normalization concerns and directed PG&E to: (1) track the amounts at issue in the Diablo Canyon Extended Operations Memorandum Account to enable PG&E to cure any normalization violation retrospectively; (2) seek a private letter ruling with the IRS on this issue; and (3) adjust rates as soon as practicable via the General Order (GO) 96-B process if PG&E receives an IRS ruling confirming that excluding recovery for the amounts is a normalization violation.

D. 24-12-033, Ordering Paragraph (OP) 12 states:

“Pacific Gas and Electric Company must file []the Internal Revenue Service (IRS) private letter ruling requests and IRS' conclusions via information-only advice letters.”³

On May 2, 2025, PG&E filed a draft of its IRS private letter ruling request on the tax normalization issues with the Commission in an information-only advice letter filing in compliance with D. 24-12-033, OP 12.⁴

On January 30, 2026, PG&E received a favorable IRS PLR conclusion on the normalization issues arising from SB 846. As such, the amounts recorded to the Diablo Canyon Extended Operations Memorandum Account will be reversed and there is no need to adjust rates because excluding these revenue requirements is not considered a normalization violation under this ruling.

The submission of the IRS PLR conclusion on the tax normalization issue, provided as Attachment 1, is made in compliance with the above-referenced D. 24-12-033, OP 12.⁵

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

³ D. 24-12-033 also refers to a second IRS PLR regarding whether the Diablo Canyon volumetric performance fees qualify for nontaxable treatment. This advice letter does not address that second PLR, which will be the subject of a future information-only advice letter submission.

⁴ See Advice Letter 7589-E (May 2, 2025).

⁵ IRS private letter rulings redact identifying taxpayer information before publishing the ruling publicly. PG&E attaches the redacted version of the IRS normalization ruling that will be made publicly available.



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 (U 39 E)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Baylee Larson

Phone #: (279) 789-6486

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: baylee.larson@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) #: 7835-E

Tier Designation: Information-Only

Subject of AL: Information Only – Notification of Diablo Canyon Extended Operations Internal Revenue Service Private Letter Ruling Normalization Conclusion in Compliance with Decision 24-12-033, Ordering Paragraph 12

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. 24-12-033

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: N/A

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: 2/12/26

No. of tariff sheets: 0

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: N/A

Service affected and changes proposed¹: N/A

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

¹Discuss in AL if more space is needed.

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

California Public Utilities Commission
Energy Division Tariff Unit Email:
EDTariffUnit@cpuc.ca.gov

Contact Name: Sidnev Bob Dietz II. c/o Megan Lawson
Title: Director, Regulatory Relations
Utility/Entity Name: Pacific Gas and Electric Company

Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email: PGETariffs@pge.com

Contact Name:
Title:
Utility/Entity Name:

Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

CPUC
Energy Division Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Attachment 1

Internal Revenue Service Private Letter Ruling
conclusion on Normalization Issue

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Index Number: 167.22-00, 167.22-01, 168.00-00

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:ECE:B02
PLR-112695-25

In Re:

Date:
January 30, 2026

Legend

- Taxpayer =
- Parent =
- State =
- Commission A =
- Commission B =
- Plant =
- Date 1 =
- Date 2 =
- Date 3 =
- Date 4 =
- Date 5 =
- Year A =
- Year B =

Dear :

This letter responds to a letter dated Date 1, submitted on Taxpayer's behalf by its authorized representatives, requesting a ruling regarding the application of § 168(i)(9) and (10)¹ to the relevant facts that are represented in Taxpayer's submission and set forth below:

¹ Unless otherwise specified, all "section" or "§" references are to sections of the Internal Revenue Code (Title 26 U.S.C.) or the Income Tax Regulations (26 C.F.R. part 1).

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Background

Taxpayer is a State corporation and a regulated public utility that provides electricity generation, transmission, and distribution services, as well as natural gas utility services, throughout State. It is the primary operating subsidiary of Parent and joins Parent and Parent's other subsidiaries in the filing of a consolidated federal income tax return on a calendar year basis using the accrual method of accounting.

Commission A and Commission B regulate the rates Taxpayer may charge for the services it provides. Generally, both commissions set rates using the cost-of-service, rate-of-return ratemaking method, which allows a utility to recover the costs of providing services and earn a reasonable return on invested capital (rate base). Commission A regulates Taxpayer's electricity transmission rates, which are reviewed and updated annually to reflect any changes in Taxpayer's costs of service. Commission B regulates the rates for Taxpayer's remaining utility services, determining rates in general rate case proceedings conducted every four years, with other proceedings conducted as necessary to address issues not addressed in those proceedings.

Taxpayer owns and operates Plant, a plant consisting of Unit 1 and Unit 2, which have been in operation since Year A and Year B, respectively. Unit 1 and Unit 2 are licensed to operate until Date 2 and Date 3, respectively.

State provides a framework . This framework consists largely of three interrelated steps.

Finally, it prescribes a special ratemaking method to be used in lieu of cost-of-service, rate-of-return ratemaking in setting rates

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Law and Analysis

Section 168(f)(2) provides that the depreciation deduction determined under § 168 shall not apply to any public utility property (within the meaning of § 168(i)(10)) if the taxpayer does not use a normalization method of accounting.

Section 168(i)(10) defines the term “public utility property,” in relevant part, as property used predominantly in the trade or business of the furnishing or sale of electrical energy, if the rates for such furnishing or sale, as the case may be, have been established or approved by a public utility commission of any state or political subdivision thereof.

Prior to the Revenue Reconciliation Act of 1990, Pub. L. No. 101-508, 104 Stat. 1388-400 (1990), § 168(i)(10) defined public utility property by cross-reference to § 167(l)(3)(A). Section 167(l)(3)(A), as then in effect, contained the same definition of public utility property that is currently in § 168(i)(10). Section 1.167(l)-1(b) provides that under § 167(l)(3)(A), property is public utility property during any period in which it used predominantly in a § 167(l) public utility activity. The term “section 167(l) public utility activity” means, in relevant part, the trade or business of the furnishing or sale of electrical energy, if the rates for such furnishing or sale, as the case may be, are regulated, i.e., have been established or approved by a regulatory body described in § 167(l)(3)(A). The term “regulated body described in section 167(l)(3)(A)” means a state (including the District of Columbia) or political subdivision thereof, any agency or instrumentality of the United States, or a public service or public utility commission or other body of any state or political subdivision thereof similar to such a commission. The term “established or approved” includes the filing of a schedule of rates with a regulatory body which has the power to approve such rates, though such body has taken no action on the filed schedule or generally leaves undisturbed rates filed by the taxpayer.

Further, prior to the Revenue Reconciliation Act of 1990, § 46(f) required a taxpayer claiming the investment tax credit with respect to public utility property to use the normalization method of accounting. The definitions of public utility property contained in § 168(i)(10) and former § 46(f)(5) are essentially identical. However, § 1.46-3(g)(2)(iii) expands the term “regulated rates” to embody the notion of rates established or approved on a rate-of-return basis, which notion is not provided for in the § 167(l) regulations. Nevertheless, § 1.167(l)-1(h)(6) requires the deferred tax reserve to be excluded from the rate base to which a rate of return is applied. This requirement and its use of the terms “rate base” and “rate of return” imply rate-of-return ratemaking as these terms are concepts of rate-of-return ratemaking and their use is logical only in that context. Thus, under the § 168(i)(9) normalization rules for depreciation, a facility must meet three requirements to be considered public utility property:

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1. It must be used predominantly in the trade or business of the furnishing or sale of electrical energy, water, or sewage disposal services, or the other services enumerated in § 168(i)(10)(B) through (D);
2. The rates for such furnishing or sale must be established or approved by a state or political subdivision thereof, any agency or instrumentality of the United States, or by a public service or public utility commission or similar body of any state or political subdivision thereof; and
3. The rates so established or approved must be determined on a rate-of-return basis.

Taxpayer will use Plant predominantly in the trade or business of the furnishing or sale of electrical energy. Commission B, the public utility commission of State, will establish or approve the rates Taxpayer may charge for Plant's electricity. As a result, Plant satisfies the first and second requirements to be considered public utility property.

Commission B will set rates using the special ratemaking method

Because Commission B will set rates using the special ratemaking method rather than the cost-of-service, rate-of-return method, applying the normalization rules to the special ratemaking method would not be appropriate. Plant thus fails the third requirement to be considered public utility property.

Accordingly, we rule that:

1. The assets that Taxpayer acquires, the costs of which must be capitalized and depreciated for federal income tax purposes and not included in Taxpayer's rate base are not public utility property (as defined in § 168(i)(10)).
2. To claim accelerated depreciation under § 168, Taxpayer is not required to use a normalization method of accounting for Plant property acquired that is not public utility property (as defined in § 168(i)(10)).

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Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent. In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Sincerely,

Maggie Stehn
Senior Counsel, Branch 2
Office of the Associate Chief Counsel
(Energy, Credits, and Excise Tax)

Enclosure:
Copy for § 6110 purposes

cc:

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

AT&T	Ellison Schneider & Harris LLP	Pacific Gas and Electric Company
Albion Power Company		Peninsula Clean Energy
Alta Power Group, LLC	Electrical Power Systems, Inc. Fresno	Pioneer Community Energy
Anderson & Poole	Engie North America	Public Advocates Office
BART	Engineers and Scientists of California	Redwood Coast Energy Authority
Ava Community Energy		Regulatory & Cogeneration Service, Inc.
BART		Resource Innovations
Buchalter	GenOn Energy, Inc.	Rockpoint Gas Storage
Barkovich & Yap, Inc.	Green Power Institute	
Biering & Brown LLP		San Diego Gas & Electric Company
Braun Blasing Smith Wynne, P.C.	Hanna & Morton LLP	San Jose Clean Energy
		SPURR
California Community Choice Association	ICF consulting	
California Cotton Ginners & Growers Association	iCommLaw	Sempra Utilities
California Energy Commission	International Power Technology	Sierra Telephone Company, Inc.
California Hub for Energy Efficiency	Intertie	Southern California Edison Company
California Alternative Energy and Advanced Transportation Financing Authority	Intestate Gas Services, Inc.	Southern California Gas Company
California Public Utilities Commission		Spark Energy
Calpine	Kaplan Kirsch LLP	Sun Light & Power
Cameron-Daniel, P.C.	Kelly Group	Sunshine Design
Casner, Steve	Ken Bohn Consulting	Stoel Rives LLP
Center for Biological Diversity	Keys & Fox LLP	
Chevron Pipeline and Power	Leviton Manufacturing Co., Inc. Los Angeles County Integrated	Tecogen, Inc.
		TerraVerde Renewable Partners
		Tiger Natural Gas, Inc.
Clean Power Research	Waste Management Task Force	
Coast Economic Consulting		Utility Cost Management
Commercial Energy	MRW & Associates	
Crossborder Energy	Manatt Phelps Phillips	
Crown Road Energy, LLC	Marin Energy Authority	Water and Energy Consulting
	McClintock IP	
	McKenzie & Associates	
Davis Wright Tremaine LLP	Modesto Irrigation District	
Day Carter Murphy	NLine Energy Inc.	Yep Energy
Dept of General Services	NOSSAMAN LLP	
Douglass & Liddell	NRG Energy Inc.	
Downey Brand LLP		