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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company for Authority, Among Other
Things, to Increase Rates and Charges for
Electric and Gas Service Effective on
January 1, 2017 (U39M).

Application 15-09-001
(Filed September 1, 2015)

**PETITION FOR MODIFICATION OF DECISION 17-05-013 OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) TO REFLECT TAX CHANGES**

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Dated: March 30, 2018

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Pursuant to Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) and the March 2, 2018 letter from Energy Division Director Edward Randolph,¹ Pacific Gas and Electric Company (PG&E) respectfully submits this Petition for Modification of Decision (D.) 17-05-013. Through this Petition, PG&E seeks to revise the 2018 and 2019 authorized revenue requirements to reflect, among other changes, the lower corporate tax rate set forth in the Tax Cuts and Jobs Act of 2017 (Tax Act).

I.

SUMMARY

PG&E's 2017 General Rate Case (GRC) was decided assuming corporate tax rates then in effect. Since the issuance of the GRC decision, the federal government adopted the Tax Act which, among other changes, reduced the corporate tax rate from 35 percent to 21 percent. Specifically, PG&E proposes to reduce the adopted revenue requirement by \$267 million for 2018 and \$296 million for 2019.

PG&E proposes that the revenue requirement revisions for 2018 be recorded effective January 1, 2018, and that PG&E be directed to work with Energy Division to develop a plan within 30 days of a decision on this Petition to translate these reductions into revised gas and

¹ Attachment A.

electric rates. PG&E proposes that the revenue requirement reduction for 2019 take effect at the beginning of 2019 through the Annual Electric True-Up and Annual Gas True-Up advice letter filings.

II.

BACKGROUND

On May 11, 2017, the Commission decided PG&E's 2017 GRC, effective on the same date.² The Commission adopted, with certain modifications, a settlement agreement that had been submitted by 15 parties (the Settling Parties) on August 3, 2016. The settlement agreement, like PG&E's original application, assumed corporate taxes in effect at that time. The Commission's decision adopted the following revenue requirements: \$8,448 million effective January 1, 2018 and \$8,809 million effective January 1, 2019.³

On December 22, 2017, the Tax Act was signed into law. The Tax Act changes a number of provisions affecting PG&E, most notably the corporate tax rate. That rate was reduced from 35 percent to 21 percent.

On January 5, 2018, PG&E sent a letter to then Executive Director Sullivan, in which PG&E proposed to make a filing by the end of March 2018 that sets forth revised, lower revenue requirements.

On March 2, 2018, Energy Division Director Edward Randolph directed PG&E to make this filing. Specifically, Mr. Randolph stated, "PG&E should file a Petition to Modify D.17-05-013 by March 31, 2018 in order to present testimony, a revised RO [results of operations] model, and new revenue requirements for attrition years 2018 and 2019 incorporating the effects of the [Tax Act]."⁴

² D.17-05-013, *mimeo*, p. 252.

³ D.17-05-013, Appendix A: Table 6.

⁴ Attachment A, page 2.

In accordance with Commission Rule 16.4(d), the Petition is filed within 12 months of the effective date of the GRC decision.

III.

JUSTIFICATION FOR THE PETITION FOR MODIFICATION

Commission Rule 16.4(b) provides:

A petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision. Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.

The justification for the requested relief (i.e., the revised revenue requirement) is found in the Tax Act. The Tax Act changes, and the influence of these changes on PG&E's revenue requirement, are described in the attached report.⁵

The report is divided into four sections. Section I provides a brief introduction to the material. Section II describes the Tax Act changes. Section III presents the output of PG&E's RO Model and sets forth the revenue requirement revisions as a result of these Tax Act changes. Section IV describes PG&E's proposal for incorporating these changes into customer rates.

To assist interested persons in understanding the attached report, PG&E will participate in a workshop that will review the material and allow persons to ask questions of the authors of the report, or their representatives. Those authors are: Bruce T. Smith, Chief Regulatory Analyst, Regulatory Affairs (Section I); Elizabeth Min, Director, Tax Accounting (Section II); Neilson Jones, Manager, Regulatory Results of Operations, (Section III); and Margot Everett, Senior Director, Rates and Regulatory Analytics. The workshop will take place on April 11, 2018, at Commission Headquarters, 505 Van Ness Avenue, San Francisco, California, 94102 between 2-4 p.m.

⁵ Attachment B.

In compliance with Commission Rule 16.4(b), PG&E proposes the following new ordering paragraph 23 to carry out the requested revenue requirement reduction:

Ordering Paragraph 23.

In order to reflect the changes set forth in the Tax Cuts and Jobs Act of 2017, the revenue requirement otherwise prescribed by this Decision is reduced by \$267 million for 2018 and \$296 million for 2019. PG&E shall work with the Commission's Energy Division to implement the requisite rate changes.

Also in compliance with Rule 16.4(b), this Petition is supported by the declaration of Mark T. Caron, PG&E's Vice President of Tax.⁶

As required by Rule 16.4(c), PG&E has served this Petition on all parties to Application 15-09-001, the proceeding that resulted in D.17-05-013.

Finally, PG&E has consulted with the Settling Parties to the 2017 GRC prior to the submission of this Petition to ensure that the Settling Parties have no objection to this Petition. The Settling Parties have confirmed they have no objection to the filing of this Petition, but each Party has reserved its rights to respond to its content.

Respectfully submitted,

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⁶ Attachment C.