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03/30/18  
04:59 PM

**PACIFIC GAS AND ELECTRIC COMPANY  
ATTACHMENT A  
TO  
PETITION FOR MODIFICATION OF DECISION 17-05-013 OF  
PACIFIC GAS AND ELECTRIC COMPANY TO REFLECT TAX  
CHANGES**

**PUBLIC UTILITIES COMMISSION**

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March 2, 2018

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**Subject: Implementation of the Tax Cuts and Jobs Act of 2017**

Dear Regulatory Affairs Managers:

On December 22, 2017 the Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law by the President of the United States. Contained within the TCJA are a number of new federal tax laws and changes to the Internal Revenue Code (IRC) that will have a substantial impact on public utilities regulated by this Commission beginning in tax year 2018. To the extent the new tax laws contain flow-through benefits for utility customers, this Commission's goal is to implement expeditious and efficient rate relief.

The degree to which these new tax laws impact utilities' cost of service rates can vary depending on the individual utility and the methodology used to forecast specific tax items in each utility's General Rate Case (GRC). Because each utility is in a varying place in its unique GRC cycle, an evaluation of each utility on an individual basis is necessary to appropriately implement the changes resulting from the TCJA. For example, the Commission may be currently finalizing rates for one utility's Test Year (TY) 2018, while another utility may be in the process of filing a TY 2019 GRC. Additionally, a number of utilities have previously been ordered by the Commission to establish tax memorandum accounts in order to capture tax law changes, others have no memorandum account, while a few utilities have recently requested such a memorandum account. As a result, expeditious and efficient rate relief must be individually tailored to each utility's GRC cycle and tax memorandum account status.

Energy Division hereby requests that your utilities carry out the actions described in the remainder of this letter, thus providing expeditious rate relief with a maximum of procedural efficiency.

**Southern California Edison (SCE):**

SCE's GRC Application (A.)16-09-001 for TY 2018 is currently in progress. SCE has a Tax Accounting Memorandum Account (TAMA), but the TAMA only tracks impacts on SCE's revenue requirement for the tax years 2015-2017. Importantly, SCE does have in place a GRC Revenue Requirement Memorandum Account which enables subsequent recovery of reductions in taxes.

***TCJA Implementation:*** SCE has already responded to rulings in its TY 2018 GRC and served additional testimony providing a revised TY 2018 result of operations (RO) model and revenue requirement that reflects the impact of the TCJA. Other parties will file testimony soon, to be followed by evidentiary hearings. The Commission's decision in this proceeding will reflect the Commission's determination regarding how the TCJA should be reflected in customer rates.

**Pacific Gas & Electric (PG&E):**

PG&E's most recent GRC was based on a TY 2017, and adopted by D.17-05-013. That decision also required PG&E to establish Tax Memorandum Accounts for its gas and electric utilities (TMA-G and TMA-E). PG&E is currently in attrition year 2018.

***TCJA Implementation:*** In a letter to Executive Director Tim Sullivan dated January 5, 2018, PG&E proposed to make a filing by March 31, 2018 to propose a revised, lower revenue requirement and implementation plan to reflect TCJA reductions in customers' rates. In keeping with that proposal, PG&E should file a Petition to Modify D.17-05-013 by March 31, 2018 in order to present testimony, a revised RO model, and new revenue requirements for attrition years 2018 and 2019 incorporating the effects of the TCJA.

**PG&E Gas Transmission and Storage (GT&S) Rate Case**

The Commission established GT&S rates for 2015-2018 in PG&E's TY 2015 GT&S Rate Case (D.16-06-056 in A.13-12-012). PG&E's TY 2019 GT&S proceeding has just begun (A.17-11-009). Thus, PG&E's GT&S rates for 2018 are governed by D.16-06-056. PG&E does not have a TMA in place to track the TCJA-related revenue requirement changes for GT&S, but does have a TAMA-G in place to track the effects of other tax acts enacted in 2010, 2014 and 2015.

***TCJA Implementation:*** First, PG&E should file a Petition to Modify D.16-06-056 no later than March 31, 2018, to propose adjustments to its GT&S revenue requirement that implement the TCJA for attrition year 2018.

Second, PG&E stated in its January 5, 2018 letter that it has already agreed to make a filing in the 2019 GT&S proceeding by March 2018 or earlier to reduce its 2019 GT&S forecast to reflect the new tax law. The presiding officer and the assigned Commissioner in A.17-11-009 will determine further procedural steps, as necessary.

**Sempra--San Diego Gas & Electric (SDG&E)/Southern California Gas (SoCal Gas):**

Sempra's consolidated TY 2019 GRC is currently in progress (A.17-10-007/A.17-10-008). Rates for attrition year 2018 were adopted in D.16-06-054, which also directed SoCalGas and SDG&E to each establish a Tax Memorandum Account to capture the revenue requirement impact of future tax law changes, such as the TCJA.

***TCJA Implementation:*** Since Sempra's TY 2019 GRC is currently open, Sempra should follow the rulings of the presiding officer in that proceeding and submit additional TCJA testimony and a revised TY 2019 Results of Operations (RO) model incorporating impact of the TCJA as directed. This will allow the Commission to determine the most effective way to return the TCJA benefits to customers.

Sempra should also follow instructions of the presiding officer regarding the need for any filings in that same GRC regarding the TCJA-related balance in the Tax Memorandum Account accumulated through 2018.

### **Small and Multi-Jurisdictional Utilities**

#### **Liberty:**

Liberty is scheduled to file a GRC application for TY 2019 in April of this year. D.16-12-024 adopted rates for the present attrition year 2018 and ordered Liberty to establish a Tax Memorandum Account to capture the revenue requirement impact of future tax law changes, such as the TCJA. Liberty has established this Tax Memorandum Account.

***TCJA Implementation:*** Liberty's upcoming TY 2019 GRC application should include testimony addressing the effects of the TCJA and incorporating the impact of the TCJA on its revenue requirement. During this GRC proceeding, Liberty should also submit for review the TCJA-related balance accumulated in its Tax Memorandum Account. If the TY 2019 GRC decision is issued before such a time that Liberty can track and report on the amount accumulated in the entire 2018 calendar year in the Tax Memorandum Account, Liberty may be directed by the presiding officer to file supplemental testimony at a later date.

#### **PacifiCorp:**

PacifiCorp is scheduled to file a GRC application for TY 2019 in March of this year. PacifiCorp's 2018 rates were established in the 2017 Post-Test Year Adjustment Mechanism rate increase adopted by D.16-09-046. PacifiCorp also recently filed A.17-12-019, requesting authorization to establish a Tax Memorandum Account, and this request is still pending.

***TCJA Implementation:*** PacifiCorp's upcoming TY 2019 GRC application should include testimony addressing the effects of the TCJA and incorporating the impact of the TCJA on its revenue requirement. If PacifiCorp does not incorporate TCJA adjustments by the time of its TY 2019 GRC filing, it may be directed to file supplemental testimony at a later date by the presiding officer. If PacifiCorp's separate application to establish a tax memo account is approved and that memo account subsequently includes the TCJA-related balance accumulated through 2018, the disposition of any balance in that account should be resolved as directed in any decision in that case.

#### **Bear Valley Electric:**

Bear Valley Electric's GRC for TY 2018 is currently in progress (A.17-05-004) and Bear Valley Electric does not currently have a Tax Memorandum Account.

***TCJA Implementation:*** Bear Valley Electric should follow the instructions of the presiding officer or any decisions issued in A.17-05-004 regarding the need to establish a tax memorandum account or make other adjustments to its proposed revenue requirement for 2018 and the remainder of its GRC period to incorporate the TCJA.

#### **Southwest Gas**

Southwest Gas was authorized by D.17-06-006 to maintain its existing revenue requirement until 2020, with an annual upward adjustment of 2.75%. Southwest Gas has a Tax Memorandum Account established by D.17-06-006, although this currently tracks only 2019-2020, not 2018.

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**TCJA Implementation:** By April 30, 2018 Southwest Gas should file a Petition to Modify D.17-06-006 to extend its Tax Memorandum Account to capture TCJA changes to its revenue requirement for attrition years 2018-2020 and to present a revised RO Model and revenue requirement for attrition years 2018-2020, incorporating the effects of the TCJA.

**West Coast Gas:**

West Coast Gas is currently awaiting a decision on TY 2017 in GRC proceeding A.16-07-017, and does not have a Tax Memorandum Account.

**TCJA Implementation:** West Coast Gas should follow the directions of the presiding officer or any decision that issues in A.16-07-017 regarding establishment of a Tax Memorandum Account or adjustments to attrition year 2018 revenue requirement to reflect the TCJA.  
Please let me or Dorothy Duda (Program Manager, Energy Division, 415-703-2800) know if you have any questions or concerns.

Sincerely,



Edward Randolph  
Director, Energy Division

Cc: Commission President Michael Picker  
Commissioner Martha Guzman Aceves  
Commissioner Carla J. Peterman  
Commissioner Liane M. Randolph  
Commissioner Clifford Rechtschaffen  
Chief Administrative Law Judge Anne Simon  
Service lists of the following General Rate Cases or related proceedings:  
SCE Application (A.) 16-09-001  
PG&E A. 15-09-001  
PG&E GT&S A.17-11-009 and A.13-12-012  
SoCalGas/SDG&E A.17-10-007/A.17-10-008  
Liberty A.15-05-008  
PacifiCorp A.17-12-019 and A.09-11-015  
Bear Valley Electric A.17-05-004  
Southwest Gas A.12-12-024  
West Coast Gas A.16-07-017