

Preliminary Statement
 (continued)

This tariff sheet is effective as of 9/25/14, but is subject to refund until approved by the California Public Utilities Commission.

AE. Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 Memorandum Account (2010 Tax Act Memorandum Account, or TAMA) (Sheet 1 of 2) (T)

1. PURPOSE: The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 Memorandum Account ("2010 Tax Act Memorandum Account" or "TAMA") is established in accordance with CPUC Resolution L-411A. The purpose of this memorandum account is to track on a CPUC-jurisdictional, revenue requirement basis the impacts of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("The New Tax Law") not otherwise reflected in rates from April 14, 2011 until the effective date of the revenue requirement changes in the Utility's next General Rate Case ("Memo Account Period"). The Utility shall record in this memorandum account: (a) decreases in revenue requirement resulting from increases in deferred tax reserve; (b) offsets to reflect additional costs or expenses, not otherwise recovered in rates, incurred as a result of additional utility infrastructure investment enabled by the bonus depreciation provisions of the New Tax Law, to the extent allowed by Ordering Paragraph 5 of Resolution L-411A; and (c) amounts to reflect the impacts of any decrease in Section 199 deductions resulting from bonus depreciation taken, changes in working cash resulting from the New Tax Law, and any other direct changes in revenue requirement resulting from the Utility's taking advantage of the New Tax Law. (T)

The 2010 Tax Act Memorandum Account shall be used in determining whether any future rate adjustment is appropriate to reflect impacts of the New Tax Law during the Memo Account Period. This memorandum account shall not be used to recover any net revenue requirement increase recorded during the Memorandum Account Period. If, at the end of the Memo Account Period, this memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates.

The following limits allowed by Ordering Paragraph 5 of Resolution L-411A apply to the additional needed utility infrastructure investments that may be tracked in the 2010 Tax Act Memorandum Account: (a) the property in which the investment is made must be Commission-jurisdictional; (b) the property in which the investment is made must itself be eligible for bonus depreciation; (c) at least 90% of the investment must have a tax depreciable life of at least 15 years, and any remaining investments must be ancillary to such investment; and (d) if a utility determines that it would be best to invest in something other than the typical types of projects included in general rate case type applications, the utility must file an application or advice letter seeking Commission approval in order to record the revenue requirement impact of that investment as an offset in the memorandum account.

Beginning January 1, 2014, the 2010 Tax Act Memorandum Account will also include the impacts of the American Taxpayer Relief Act of 2012 ("2012 Act"), which extended certain tax benefits to activities through the end of 2013. For the remainder of this preliminary statement, "New Tax Laws" includes both the 2010 Act and the 2012 Act. (N)

2. APPLICABILITY: The 2010 Tax Act Memorandum Account applies to each ratemaking area within the Utility's service areas tracking the revenue requirement impact of each change resulting from the New Tax Laws. (N)

3. MEMORANDUM ACCOUNT ENTRIES:

The entries made corresponding to the New Tax Laws to the 2010 Tax Act Memorandum Account may include the following: (N)

a. Debit for decrease in revenue requirement resulting from increase in deferred tax reserve resulting from the New Tax Laws. (N)

b. Credit for increase in revenue requirement resulting from the impact of any decrease in Section 199 deductions resulting from bonus depreciation taken resulting from the New Tax Laws. (N)

c. Credit or debit for increase or decrease, respectively, in revenue requirement resulting from the impact of any calculations in working cash resulting from the New Tax Laws or from bonus depreciation taken.

d. Credit or debit for increase or decrease, respectively, in revenue requirement resulting from any other direct change in revenue requirement resulting from the Utility's taking advantage of the New Tax Laws.

e. Credit for increase in revenue requirement resulting from additional Utility infrastructure investment, resulting from the New Tax Laws, consistent with the limitations set forth by Ordering Paragraph 5 of Resolution L-411A and detailed in the Purpose Section of this Preliminary Statement. (N)
 (L)
 (L)

(cont.)

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(continued)

AE. Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010
Memorandum Account (2010 Tax Act Memorandum Account, or TAMA) (continued) (Sheet 2 of 2) (T)

3. MEMORANDUM ACCOUNT ENTRIES (Continued):

f. Balances in the Tax Memorandum Account will accrue interest at the 90-day commercial paper rate.

This is a memorandum account that is to be tracked “off balance sheet,” and no general ledger entries are required at this time. At such time that the Commission rules that the Utility is required to make an adjustment to its revenue requirement and rates, as a result of the tax impacts not otherwise reflected in rates, the Utility will make the appropriate entries in its general ledger

4. DISPOSITION:

In the Utility’s next General Rate Case (GRC), or at such other time as ordered in that GRC decision, the Commission shall address the disposition of amounts (a) recorded in the 2010 Tax Act Memorandum Account and (b) forecast for the remainder of the Memo Account Period, and may cause any net revenue requirement decrease to be reflected in prospective rates.

(To be inserted by utility)

Advice Letter No. 2139

Decision No. 14-08-011

Issued by

PAUL G TOWNSLEY

NAME

Vice President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed _____

Effective _____

Resolution No. -