

February 23, 2017

Advice 3815-G/5027-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Conforming Changes to Reflect the Extension of Bonus Depreciation as Provided by The Protecting Americans from Tax Hikes Act of 2015 and to Incorporate the Commission's 2015 Gas Transmission and Storage Rate Case Decision 16-06-056

Purpose

Pacific Gas and Electric Company (PG&E) submits this Tier 2 advice letter to make conforming changes to Electric Preliminary Statement Part FR, *Tax Act Memorandum Account - Electric (TAMA-E)* and Gas Preliminary Statement Part CS, *Tax Act Memorandum Account - Gas (TAMA-G)* to reflect the extension of bonus depreciation provided by the "Protecting Americans from Tax Hikes Act Of 2015" (PATH Act, see Attachment 2).

Unless otherwise defined, all capitalized terms have the same meaning as used in the approved PG&E Advice 3216-G-A/3859-E-A on December 1, 2011, approved PG&E Advice 3362-G-A/4187-E-A on March 14, 2013 and approved PG&E Advice 3638-G/4712-E on November 23, 2015 (TAMA Directives). The affected tariff sheets are listed on the enclosed Attachment 1.

Background

Pursuant to the TAMA Directives, PG&E established TAMA-E and TAMA-G to reflect, over the Memo Account Period, the revenue requirement impacts of bonus depreciation, as provided in the Tax Relief Act,¹ the Extended Tax Relief Act² and the 2014 Tax Relief Act³ (jointly referred to as the "Tax Relief Acts"), offset by revenue requirements on additional infrastructure enabled by the Tax Relief Acts.

¹ *The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*, Pub. L. 111-312.

² *The American Taxpayer Relief Act of 2012*, Pub. L. 112-240.

³ *The Tax Increase Prevention Act Of 2014*, Pub. L. 113-295.

The existing TAMA-E and TAMA-G allowed PG&E to track and record -- on a CPUC jurisdictional, revenue requirement basis -- the impacts of the Tax Relief Acts as follows:

Section A – Estimates the annual revenue requirement impact of the Tax Relief Acts' incremental tax depreciation on deferred tax liabilities associated with adopted electric distribution, electric generation, gas distribution and gas transmission capital additions for the period from September 2010 through December 2014. The rate base adjustment in this section represents the increase in deferred tax liabilities net of the estimated tax net operating loss (NOL) resulting from the Tax Relief Acts.

Section B – Estimates the annual revenue requirements on additional utility infrastructure investment (i.e., incremental capital additions above adopted levels referred to in Section A, above) enabled by tax savings from the Tax Relief Acts.

Section C – Estimates the annual revenue requirements associated with other impacts of the Tax Relief Acts including the loss of the Section 199 manufacturer's tax deductions (MTD), working cash adjustments and reduced Income Tax Component on Contribution (ITCC) revenue.

In PG&E's 2014 GRC decision, the Commission ordered that TAMA be used to reflect any extension of bonus depreciation, stating: "We continue our treatment of bonus depreciation as reflected in the TAMA per Resolution L-411A."⁴ In the 2015 GT&S decision, the Commission adopted the joint stipulation between PG&E and ORA that stated: "Finally, PG&E and ORA stipulated that any further extension of bonus depreciation should be addressed as part of a TAMA balancing account mechanism for GT&S, which PG&E would retain for the term of this rate case."⁵ In the 2017 GRC settlement agreement, Section 3.1.9.3, states: "Any expansion or extension of bonus depreciation during the term of this GRC shall be addressed through the existing Tax Act Memorandum Account (TAMA) mechanism, the same procedure as was used in PG&E's last GRC."⁶

⁴ D.14-08-032, *mimeo*, at p. 588.

⁵ D.16-06-056, *mimeo*, at p. 247.

⁶ Application 15-09-001, Joint Motion for Adoption of Settlement Agreement, p. 1-13 (August 3, 2016). As of February 22, 2017, the CPUC has not issued a decision adopting the 2017 GRC Settlement Agreement.

Bonus Extension (PATH Act) and TAMA Modifications

On December 18, 2015, President Obama signed the PATH Act⁷ which continues bonus depreciation for eligible capital additions placed in service during 2015 through 2019 (with an additional year for certain property with a longer production period). The bonus depreciation percentage is 50 percent for property placed in service during 2015, 2016 and 2017 and phases down, with 40 percent in 2018, and 30 percent in 2019.⁸

For the GRC lines of business, PG&E is reflecting in TAMA the impact of Bonus Depreciation extension on the electric distribution, gas distribution and electric generation revenue requirements for the years 2015 and 2016 pursuant to Decision 14-08-032. (For the years 2017 through 2019, PG&E has included in its 2017 GRC revenue requirements for the electric distribution, gas distribution and electric generation the impact of the PATH Act-related tax law changes.⁹ As a result, no adjustment will be included in TAMA-E and TAMA-G for the 2017 GRC period, unless there is an expansion of bonus depreciation beyond what was provided for in the PATH Act.)

For the gas transmission line of business, PG&E is reflecting in TAMA the impact of Bonus Depreciation extension on gas transmission revenue requirements for the 2015 through 2018 period pursuant to Decision 16-06-056 (adopting stipulation),¹⁰ as implemented in D. 16-12-010.

The purpose of this filing is to reflect in TAMA the additional years of bonus depreciation provided by the PATH Act using the same methodology that was used to reflect the Tax Relief Acts.

PG&E proposes making the following modifications to TAMA-E and TAMA-G:

Section A¹¹, is hereby extended to also reflect the annual revenue requirement impact of the PATH Act incremental tax depreciation on deferred tax liabilities associated with adopted electric distribution, electric generation, gas distribution and gas transmission capital additions. Note that any 2015 revenue requirement impacts under this Section A will be very small. This is because the PATH Act was not signed into law until December 18, 2015 and any rate base reduction for 2015 would need to be prorated in accordance with the normalization requirements of the Internal Revenue Code (IRC).

⁷ *Protecting Americans from Tax Hikes Act of 2015*, Pub. L. No. 114-113 (codified as amended in scattered sections of 26 U.S.C.).

⁸ Internal Revenue Code Section 168(k), as amended by PATH Act Sec. 143.

⁹ Application 15-09-001, Exhibit (PG&E-19) Update Testimony.

¹⁰ See D.16-06-056, Ordering Paragraph 47 (adopting the Joint Stipulation on NOLC and Bonus Depreciation between PG&E and ORA).

¹¹ See PG&E Advice 3216-G-A/3859-E-A, p. 3; PG&E Advice 3362-G-A/4187-E-A, p. 3; and Advice 3638-G/4712-E, p. 3.

Section B¹², is hereby extended to also reflect the impact on annual revenue requirements, enabled by the PATH Act, of additional infrastructure investment through December 31, 2018 for gas transmission and December 31, 2016 for electric distribution, gas distribution and electric generation, using the same principles as was applied to determine revenue requirements and additional infrastructure investment in the Tax Relief Acts.

Section C, is hereby extended to also reflect other revenue requirement changes resulting from the PATH Act, including amounts reflecting the impacts of any decrease in MTD, changes in working cash and any decrease in the ITCC received due to changes in the tariffed tax component of contributions-in-aid-of-construction (CIAC)¹³.

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

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than March 15, 2017, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th 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

¹² *Ibid.*

¹³ Per Approved PG&E Advice 3669-G/4766-E

77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-1448
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

PG&E requests that this Tier 2 advice filing become effective, subject to Energy Division approval, on January 1, 2015.

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.09-12-020, A.09-09-013, A.12-11-009, A.13-12-012 and A. 15-09-001. 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 filings can also be accessed electronically at: <http://www.pge.com/tariffs/>.

/S/

Erik Jacobson
Director, Regulatory Relations

Attachments

Attachment 1: Affected Tariff Sheets
Attachment 2: Sec. 143 of the Protecting Americans from Tax Hikes Act Of 2015

cc: Service Lists for A.09-12-020 (PG&E's 2011 GRC), A.09-09-013 (PG&E's 2011 GT&S), A.12-11-009 (PG&E's 2014 GRC), A.13-12-012 (PG&E's 2015 GT&S) and A. 15-09-001 (PG&E's 2017 GRC)

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING 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 M)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3815-G/5027-E**

Tier: **2**

Subject of AL: **Conforming Changes to Reflect the Extension of Bonus Depreciation as Provided by The Protecting Americans from Tax Hikes Act of 2015 and to Incorporate the Commission's 2015 Gas Transmission and Storage Rate Case Decision 16-06-056**

Keywords (choose from CPUC listing): Memorandum Account, Taxes

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: N/A

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: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: **January 1, 2015**

No. of tariff sheets: **8**

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: **Gas Preliminary Statement Part CS and Electric Preliminary Statement Part FR**

Service affected and changes proposed: **Gas Preliminary Statement Part CS and Electric Preliminary Statement Part FR**

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

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

California Public Utilities Commission

Energy Division

EDTariffUnit

505 Van Ness Ave., 4th Flr.

San Francisco, CA 94102

E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Erik Jacobson

Director, Regulatory Relations

c/o Megan Lawson

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
33252-G	GAS PRELIMINARY STATEMENT PART CS TAX ACT MEMORANDUM ACCOUNT - GAS Sheet 1	32311-G
33253-G	GAS PRELIMINARY STATEMENT PART CS TAX ACT MEMORANDUM ACCOUNT - GAS Sheet 2	30272-G
33254-G	GAS TABLE OF CONTENTS Sheet 1	33218-G
33255-G	GAS TABLE OF CONTENTS Sheet 5	33102-G



**GAS PRELIMINARY STATEMENT PART CS
TAX ACT MEMORANDUM ACCOUNT - GAS**

Sheet 1

CS. TAX ACT MEMORANDUM ACCOUNT - GAS (TAMA-G)

1. PURPOSE: The purpose of the Tax Act Memorandum Account – Gas (“TAMA-G”) is to record and track the gas portion of the revenue requirement impacts of:
 - a. The New Tax Relief Act signed on December 17, 2010 (Tax Relief Act), the “American Taxpayer Relief Act of 2012” signed on January 2, 2013 (“Extended Tax Relief Act”), not addressed in PG&E’s 2011 General Rate Case (GRC) Decision 11-05-018 and 2011 Gas Transmission & Storage (GT&S) Settlement Decision 11-04-031, (T)
 - b. The “Tax Increase Prevention Act Of 2014” signed on December 19, 2014 (“2014 Tax Relief Act”), not incorporated in PG&E’s 2011 GT&S Settlement Decision 11-04-031 and 2014 GRC Decision 14-08-032, (T)
 - c. The “Protecting Americans from Tax Hikes Act of 2015 signed on December 18, 2015 (“PATH Act”) not incorporated in PG&E’s 2014 GRC Decision 14-08-032, 2015 GT&S Decision 16-06-056 and Decision 16-12-010. (N)

It tracks and records on a CPUC-jurisdictional, revenue requirement basis: (a) decreases in revenue requirement resulting from increases in its deferred tax reserve; and (b) other direct changes in revenue requirement resulting from taking advantage of the Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act. This is a one way memorandum account that allows the Commission to determine at a future date whether rates should be changed, without having to be concerned with issues of retroactive ratemaking. (T)
2. APPLICABILITY: The TAMA-G applies to all customer classes, except for those specifically excluded by the Commission.
3. REVISION DATE: Disposition of the account balance will be initiated in PG&E’s next GRC and GT&S rate cases. PG&E will transfer any account balance to the appropriate mechanism for refund, as may be approved by the Commission at that time.
4. RATES: The current TAMA-G does not have a rate component.
5. ACCOUNTING PROCEDURE: The PG&E shall maintain the TAMA-G by making entries a. – c. to this account after the close of each year, entries d., e., and f. as authorized and entry g. monthly, as follows: (T)
 - a. A credit entry equal to the decreases in the gas distribution, transmission and storage revenue requirements resulting from increases in the net deferred tax reserve (deferred tax liabilities net of deferred tax assets)
 - b. A debit entry equal to the increases in the gas distribution, transmission and storage revenue requirements resulting from taking advantage of the Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act to reflect any 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 Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act. (T)

(Continued)



GAS PRELIMINARY STATEMENT PART CS
TAX ACT MEMORANDUM ACCOUNT - GAS

Sheet 2

5. ACCOUNTING PROCEDURE (Cont'd.):

- c. A debit entry equal to any increases in the gas distribution, transmission and storage revenue requirements due to Section 199 manufacturer's tax deductions resulting from bonus depreciation taken, changes in working cash resulting from the Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act, and, any decrease in the tax component of contributions-in-aid-of-construction (CIAC) received due to changes in the tariffed tax component of CIAC to reflect the Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act. (L)
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- d. A debit entry to transfer a portion of any net over-collected balance in the TAMA-G into the TAMA-E, if the TAMA-E is under-collected. This entry shall not exceed 10% of the increase in electric distribution and generation revenue requirements resulting from additional utility infrastructure investment as recorded in entry 5.b. of the TAMA-E, and may not exceed the net over-collected balance in the TAMA-G or under-collected balance in the TAMA-E. I
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- e. A credit entry to transfer a portion of any net over-collected balance in the TAMA-E into the TAMA-G, if the TAMA-G is under-collected. This entry shall not exceed 10% of the increase in gas distribution and gas transmission revenue requirements resulting from additional utility infrastructure investment as recorded in entry 5.b. above, and may not exceed the net over- collected balance in the TAMA-E or under-collected balance in the TAMA-G.
- f. A debit entry to transfer all or a portion of the balance in this TAMA-G to any other accounts for future rate adjustment, as may be approved by the CPUC. If, at the end of the memorandum account period, this memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates.
- g. A debit entry equal to the interest on the average balance at the beginning of the month and the balance after the above entry at a rate equal to the average interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.



GAS TABLE OF CONTENTS

Sheet 1

TITLE OF SHEET	CAL P.U.C. SHEET NO.	
Title Page	33254-G	(T)
Rate Schedules	33219,33175-G	
Preliminary Statements.....	33201, 33255 ,33103-G	(T)
Rules	33103,33166-G	
Rules, Maps, Contracts and Deviations.....	33166-G	
Sample Forms	31943,32986,32987,32886,32887,32888-G	

(Continued)

Advice 3815-G
Decision

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Vice President, Regulatory Affairs

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Effective _____
Resolution _____



GAS TABLE OF CONTENTS

Sheet 5

PART	TITLE OF SHEET	CAL P.U.C. SHEET NO.
-------------	-----------------------	---------------------------------

Preliminary Statements

Part AC	Catastrophic Event Memorandum Account.....	14178,14179-G
Part AE	Core Pipeline Demand Charge Account	29525,30644-G
Part AG	Core Firm Storage Account.....	29527-G
Part AN	Hazardous Substance Mechanism.....	23281,23282,23283,16693,32964-G
Part AW	Self-Generation Program Memorandum Account	24767-G
Part BA	Public Purpose Program-Energy Efficiency	23360,23361-G
Part BB	Public Purpose Program Memorandum Account	23362,29327-G
Part BH	Public Purpose Program Surcharge-Low Income Energy Efficiency Balancing Account	23364-G
Part BI	Public Purpose Program Surcharge-Research, Development and Demonstration Balancing Account	23365,23366-G
Part BQ	Pension Contribution Balancing Account	24853,24224-G
Part BS	Climate Balancing Account	29772-G
Part BT	Non-Tariffed Products and Services Balancing Account.....	26710-G
Part CA	California Solar Initiative Thermal Program Memorandum Account.....	28670,28060-G
Part CI	AB32 Cost of Implementation Fee Memorandum Account – Gas.....	28673-G
Part CK	TID Almond Power Plant Balancing Account	28889,28890-G
Part CL	Transmission Integrity Management Program Balancing Account.....	33081,33082,33083-G
Part CN	Topock Adder Projects Balancing Account	28893-G
Part CO	Adjustment Mechanism For Costs Determined In Other Proceedings	32825,32826,32827,32828-G
Part CP	Gas Transmission & Storage Revenue Sharing Mechanism	32758,32759,32760,30649-G
Part CS	Tax Act Memorandum Account – Gas	33252,33253-G
Part CV	Revised Customer Energy Statement Balancing Account - Gas (RCESBA-G)	29617-G
Part CW	Gas Pipeline Expense and Capital Balancing Account	32988,32989,32990-G
Part CX	Core Gas Pipeline Safety Balancing Account	31681,31682-G
Part CY	NonCore Gas Pipeline Safety Balancing Account.....	31683,31684-G
Part CZ	California Energy Systems for the 21st Century Balancing Account.....	30264*-G
Part DA	Statewide Marketing, Education and Outreach Expenditure Balancing Account	33043-G
Part DC	Energy Data Center Memorandum Account – Gas.....	31288-G
Part DD	Gas Transmission & Storage Memorandum Account (GTSMA)	32761,31341, 31342,31342,31344-G
Part DE	Gas Leak Survey and Repair Balancing Account (GLSRBA).....	32210,32211,31826-G
Part DF	SmartMeter [™] Opt-Out Program Balancing Account – Gas (SOPBA-G).....	32304,32305,32306-G
Part DG	Disconnection Memorandum Account - Gas (DMA-G).....	31695-G
Part DH	Gas Programs Balancing Account (GPBA)	32397,32398,32399-G
Part DI	Greenhouse Gas Expense Memorandum Account - Gas (GHGEMA-G)	31906-G
Part DJ	Energy Efficiency Financing Balancing Account - Gas (EEFBA-G).....	32040*,32041*,32042*-G
Part DK	Shareholder-Funded Gas Transmission Safety Account	32474,32475,32476-G
Part DM	Assembly Bill 802 Memorandum Account - Gas.....	32607-G

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(Continued)

Advice 3815-G
Decision

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Date Filed
Effective
Resolution

February 23, 2017

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
40003-E	ELECTRIC PRELIMINARY STATEMENT PART FR TAX ACT MEMORANDUM ACCOUNT - ELECTRIC Sheet 1	35632-E
40004-E	ELECTRIC PRELIMINARY STATEMENT PART FR TAX ACT MEMORANDUM ACCOUNT - ELECTRIC Sheet 2	32460-E
40005-E	ELECTRIC TABLE OF CONTENTS Sheet 1	38234-E*
40006-E	ELECTRIC TABLE OF CONTENTS Sheet 16	37727-E



**ELECTRIC PRELIMINARY STATEMENT PART FR
TAX ACT MEMORANDUM ACCOUNT - ELECTRIC**

Sheet 1

FR. TAX ACT MEMORANDUM ACCOUNT - ELECTRIC (TAMA-E)

1. PURPOSE: The purpose of the Tax Act Memorandum Account – Electric (“TAMA-E”) is to record and track the electric portion of the revenue requirement impacts of:
 - a. The New Tax Relief Act signed on December 17, 2010 (Tax Relief Act), the “American Taxpayer Relief Act of 2012” signed on January 2, 2013 (“Extended Tax Relief Act”), not addressed in PG&E’s 2011 General Rate Case (GRC) Decision 11-05-018 and 2011 Gas Transmission & Storage (GT&S) Settlement Decision 11-04-031, (T)
 - b. The “Tax Increase Prevention Act Of 2014” signed on December 19, 2014 (“2014 Tax Relief Act”), not incorporated in PG&E’s 2011 GT&S Settlement Decision 11-04-031 and 2014 GRC Decision 14-08-032, (T)
 - c. The “Protecting Americans from Tax Hikes Act of 2015 signed on December 18, 2015 (“PATH Act”) not incorporated in PG&E’s 2014 GRC Decision 14-08-032, 2015 GT&S Decision 16-06-056 and Decision 16-12-010. (N)

It tracks and records on a CPUC-jurisdictional, revenue requirement basis: (a) decreases in revenue requirement resulting from increases in its deferred tax reserve; and (b) other direct changes in revenue requirement resulting from taking advantage of the Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act. This is a one way memorandum account that allows the Commission to determine at a future date whether rates should be changed, without having to be concerned with issues of retroactive ratemaking. (T)
2. APPLICABILITY: The TAMA-E applies to all customer classes, except for those specifically excluded by the Commission. (N)
3. REVISION DATE: Disposition of the account balance will be initiated in PG&E’s next GRC. PG&E will transfer the account balance to the appropriate mechanism for refund, as may be approved by the Commission at that time. (N)
4. RATES: The current TAMA-E does not have a rate component. (L)
5. ACCOUNTING PROCEDURE: PG&E shall maintain the TAMA-E by making entries a. – c. to this account after the close of each year, entries d., e., and f. as authorized and entry g. monthly, as follows: (T)
 - a. A credit entry equal to the decreases in the electric distribution and generation revenue requirements resulting from increases in the net deferred tax reserve (deferred tax liabilities net of deferred tax assets). (L)
 - b. A debit entry equal to the increases in the electric distribution and generation revenue requirements resulting from taking advantage of the Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act to reflect any 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 Tax Relief, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act. (N)

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**ELECTRIC PRELIMINARY STATEMENT PART FR
TAX ACT MEMORANDUM ACCOUNT - ELECTRIC**

Sheet 2

5. ACCOUNTING PROCEDURE (Cont'd):

- c. A debit entry equal to any increases in the electric distribution and generation revenue requirements due to Section 199 manufacturer's tax deductions resulting from bonus depreciation taken, changes in working cash resulting from the Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act, and, any decrease in the tax component of contributions-in-aid-of-construction (CIAC) received due to changes in the tariffed tax component of CIAC to reflect the Tax Relief Act, the Extended Tax Relief Act, the 2014 Tax Relief Act and the PATH Act. (L)
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- d. A debit entry to transfer a portion of any net over-collected balance in the TAMA-E into the TAMA-G, if the TAMA-G is under-collected. This entry shall not exceed 10% of the increase in gas distribution and gas transmission revenue requirements resulting from additional utility infrastructure investment as recorded in entry 5.b. of the TAMA-G, and may not exceed the net over-collected balance in the TAMA-E or under-collected balance in the TAMA-G. I
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- e. A credit entry to transfer a portion of any net over-collected balance in the TAMA-G into the TAMA-E, if the TAMA-E is under-collected. This entry shall not exceed 10% of the increase in electric distribution and electric generation revenue requirements resulting from additional utility infrastructure investment as recorded in entry 5.b. above, and may not exceed the net over-collected balance in the TAMA-G or under-collected balance in the TAMA-E.
- f. A debit entry to transfer all or a portion of the balance in this TAMA-E to any other accounts for future rate adjustment, as may be approved by the CPUC. If, at the end of the memorandum account period, this memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates.
- g. A debit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry at a rate equal to the average interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.



ELECTRIC TABLE OF CONTENTS

Sheet 1

TABLE OF CONTENTS

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.	
Title Page.....		40005-E	(T)
Rate Schedules.....	38135,38136,38137,38138,38235,38147,37981,37720,38141-E		
Preliminary Statements.....	38142,35423,38226,37737,34373, 40006 ,38194*-E		(T)
Rules.....	37165,36649,37895-E		
Maps, Contracts and Deviations.....		37960-E	
Sample Forms.....	37166,37631,37180,36604,37632,38236*,35796,37769,37703,36059,37169-E		

(Continued)

Advice 5027-E
Decision

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Date Filed February 23, 2017
Effective _____
Resolution _____



ELECTRIC TABLE OF CONTENTS

Sheet 16

PART	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Preliminary Statements (Cont'd)		
Part FB	Fire Hazard Prevention Memorandum Account	35452-E
Part FD	Smart Grid Project Memorandum Account.....	28944,28945-E
Part FJ	Photovoltaic Program Memorandum Account.....	29513-E
Part FM	Diablo Canyon Seismic Studies Balancing Account.....	34369,34370-E
Part FO	AB32 Cost of Implementation Fee Memorandum Account – Electric.....	29742-E
Part FR	Tax Act Memorandum Account – Electric	40003,40004-E (T)
Part FS	New System Generation Balancing Account.....	32211,32212-E
Part FU	Electric Program Investment Charge Revenue Adjustment Mechanism Balancing Account.....	37724,37725-E
Part FX	Revised Customer Energy Statement Balancing Account – Electric (RCESBA-E)	31472-E
Part FY	Electric Program Investment Charge (EPIC) Balancing Account	36761,36762,36763-E

(Continued)

Advice 5027-E
Decision

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Date Filed February 23, 2017
Effective
Resolution

Advice 3815-G/5027-E
February 23, 2017

Attachment 2

**Sec. 143 of the Protecting Americans from
Tax Hikes Act Of 2015**

Subtitle B—Extensions Through 2019

SEC. 141. EXTENSION OF NEW MARKETS TAX CREDIT.

26 USC 45D. (a) IN GENERAL.—Section 45D(f)(1)(G) is amended by striking “for 2010, 2011, 2012, 2013, and 2014” and inserting “for each of calendar years 2010 through 2019”.

(b) CARRYOVER OF UNUSED LIMITATION.—Section 45D(f)(3) is amended by striking “2019” and inserting “2024”.

26 USC 45D note. (c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2014.

SEC. 142. EXTENSION AND MODIFICATION OF WORK OPPORTUNITY TAX CREDIT.

26 USC 51. (a) IN GENERAL.—Section 51(c)(4) is amended by striking “December 31, 2014” and inserting “December 31, 2019”.

(b) CREDIT FOR HIRING LONG-TERM UNEMPLOYMENT RECIPIENTS.—

(1) IN GENERAL.—Section 51(d)(1) is amended by striking “or” at the end of subparagraph (H), by striking the period at the end of subparagraph (I) and inserting “, or”, and by adding at the end the following new subparagraph:

“(J) a qualified long-term unemployment recipient.”.

(2) QUALIFIED LONG-TERM UNEMPLOYMENT RECIPIENT.—Section 51(d) is amended by adding at the end the following new paragraph:

“(15) QUALIFIED LONG-TERM UNEMPLOYMENT RECIPIENT.—The term ‘qualified long-term unemployment recipient’ means any individual who is certified by the designated local agency as being in a period of unemployment which—

“(A) is not less than 27 consecutive weeks, and

“(B) includes a period in which the individual was receiving unemployment compensation under State or Federal law.”.

26 USC 51 note. (c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2014.

(2) MODIFICATION.—The amendments made by subsection (b) shall apply to individuals who begin work for the employer after December 31, 2015.

SEC. 143. EXTENSION AND MODIFICATION OF BONUS DEPRECIATION.

(a) EXTENDED FOR 2015.—

26 USC 168. (1) IN GENERAL.—Section 168(k)(2) is amended—

(A) by striking “January 1, 2016” in subparagraph (A)(iv) and inserting “January 1, 2017”, and

(B) by striking “January 1, 2015” each place it appears and inserting “January 1, 2016”.

26 USC 460. (2) SPECIAL RULE FOR FEDERAL LONG-TERM CONTRACTS.—Section 460(c)(6)(B)(ii) is amended by striking “January 1, 2015 (January 1, 2016” and inserting “January 1, 2016 (January 1, 2017”.

(3) EXTENSION OF ELECTION TO ACCELERATE AMT CREDIT IN LIEU OF BONUS DEPRECIATION.—

(A) IN GENERAL.—Section 168(k)(4)(D)(iii)(II) is amended by striking “January 1, 2015” and inserting “January 1, 2016”.

(B) ROUND 5 EXTENSION PROPERTY.—Section 168(k)(4) 26 USC 168. is amended by adding at the end the following new subparagraph:

“(L) SPECIAL RULES FOR ROUND 5 EXTENSION PROPERTY.—

“(i) IN GENERAL.—In the case of round 5 extension property, in applying this paragraph to any taxpayer—

“(I) the limitation described in subparagraph (B)(i) and the business credit increase amount under subparagraph (E)(iii) thereof shall not apply, and

“(II) the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed separately from amounts computed with respect to eligible qualified property which is not round 5 extension property.

“(ii) ELECTION.—

“(I) A taxpayer who has an election in effect under this paragraph for round 4 extension property shall be treated as having an election in effect for round 5 extension property unless the taxpayer elects to not have this paragraph apply to round 5 extension property.

“(II) A taxpayer who does not have an election in effect under this paragraph for round 4 extension property may elect to have this paragraph apply to round 5 extension property.

“(iii) ROUND 5 EXTENSION PROPERTY.—For purposes of this subparagraph, the term ‘round 5 extension property’ means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 143(a)(1) of the Protecting Americans from Tax Hikes Act of 2015 (and the application of such extension to this paragraph pursuant to the amendment made by section 143(a)(3) of such Act).”.

(4) CONFORMING AMENDMENTS.—

(A) The heading for section 168(k) is amended by striking “JANUARY 1, 2015” and inserting “JANUARY 1, 2016”.

(B) The heading for section 168(k)(2)(B)(ii) is amended by striking “PRE-JANUARY 1, 2015” and inserting “PRE-JANUARY 1, 2016”.

(5) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to property placed in service after December 31, 2014, in taxable years ending after such date.

(B) ELECTION TO ACCELERATE AMT CREDIT.—The amendments made by paragraph (3) shall apply to taxable years ending after December 31, 2014.

(b) EXTENDED AND MODIFIED FOR 2016 THROUGH 2019.—

(1) IN GENERAL.—Section 168(k)(2), as amended by subsection (a), is amended to read as follows:

“(2) QUALIFIED PROPERTY.—For purposes of this subsection—

26 USC 168 note.

“(A) IN GENERAL.—The term ‘qualified property’ means property—

“(i)(I) to which this section applies which has a recovery period of 20 years or less,

“(II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection,

“(III) which is water utility property, or

“(IV) which is qualified improvement property,

“(ii) the original use of which commences with the taxpayer, and

“(iii) which is placed in service by the taxpayer before January 1, 2020.

“(B) CERTAIN PROPERTY HAVING LONGER PRODUCTION PERIODS TREATED AS QUALIFIED PROPERTY.—

“(i) IN GENERAL.—The term ‘qualified property’ includes any property if such property—

“(I) meets the requirements of clauses (i) and (ii) of subparagraph (A),

“(II) is placed in service by the taxpayer before January 1, 2021,

“(III) is acquired by the taxpayer (or acquired pursuant to a written contract entered into) before January 1, 2020,

“(IV) has a recovery period of at least 10 years or is transportation property,

“(V) is subject to section 263A, and

“(VI) meets the requirements of clause (iii) of section 263A(f)(1)(B) (determined as if such clause also applies to property which has a long useful life (within the meaning of section 263A(f))).

“(ii) ONLY PRE-JANUARY 1, 2020 BASIS ELIGIBLE FOR ADDITIONAL ALLOWANCE.—In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before January 1, 2020.

“(iii) TRANSPORTATION PROPERTY.—For purposes of this subparagraph, the term ‘transportation property’ means tangible personal property used in the trade or business of transporting persons or property.

“(iv) APPLICATION OF SUBPARAGRAPH.—This subparagraph shall not apply to any property which is described in subparagraph (C).

“(C) CERTAIN AIRCRAFT.—The term ‘qualified property’ includes property—

“(i) which meets the requirements of subparagraph (A)(ii) and subclauses (II) and (III) of subparagraph (B)(i),

“(ii) which is an aircraft which is not a transportation property (as defined in subparagraph (B)(iii)) other than for agricultural or firefighting purposes,

“(iii) which is purchased and on which such purchaser, at the time of the contract for purchase, has made a nonrefundable deposit of the lesser of—

“(I) 10 percent of the cost, or

“(II) \$100,000, and

“(iv) which has—

“(I) an estimated production period exceeding 4 months, and

“(II) a cost exceeding \$200,000.

“(D) EXCEPTION FOR ALTERNATIVE DEPRECIATION PROPERTY.—The term ‘qualified property’ shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

“(i) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and

“(ii) after application of section 280F(b) (relating to listed property with limited business use).

“(E) SPECIAL RULES.—

“(i) SELF-CONSTRUCTED PROPERTY.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer’s own use, the requirements of subclause (III) of subparagraph (B)(i) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property before January 1, 2020.

“(ii) SALE-LEASEBACKS.—For purposes of clause (iii) and subparagraph (A)(ii), if property is—

“(I) originally placed in service by a person, and

“(II) sold and leased back by such person within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

“(iii) SYNDICATION.—For purposes of subparagraph (A)(ii), if—

“(I) property is originally placed in service by the lessor of such property,

“(II) such property is sold by such lessor or any subsequent purchaser within 3 months after the date such property was originally placed in service (or, in the case of multiple units of property subject to the same lease, within 3 months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and

“(III) the user of such property after the last sale during such 3-month period remains the same as when such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date of such last sale.

“(F) COORDINATION WITH SECTION 280F.—For purposes of section 280F—

“(i) AUTOMOBILES.—In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$8,000.

“(ii) LISTED PROPERTY.—The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).

“(iii) PHASE DOWN.—In the case of a passenger automobile placed in service by the taxpayer after December 31, 2017, clause (i) shall be applied by substituting for ‘\$8,000’—

“(I) in the case of an automobile placed in service during 2018, \$6,400, and

“(II) in the case of an automobile placed in service during 2019, \$4,800.

“(G) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, the deduction under section 167 for qualified property shall be determined without regard to any adjustment under section 56.”.

26 USC 168.

(2) QUALIFIED IMPROVEMENT PROPERTY.—Section 168(k)(3) is amended to read as follows:

“(3) QUALIFIED IMPROVEMENT PROPERTY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified improvement property’ means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

“(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,

“(ii) any elevator or escalator, or

“(iii) the internal structural framework of the building.”.

(3) EXPANSION OF ELECTION TO ACCELERATE AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—Section 168(k)(4), as amended by subsection (a), is amended to read as follows:

“(4) ELECTION TO ACCELERATE AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—

“(A) IN GENERAL.—If a corporation elects to have this paragraph apply for any taxable year—

“(i) paragraphs (1) and (2)(F) shall not apply to any qualified property placed in service during such taxable year,

“(ii) the applicable depreciation method used under this section with respect to such property shall be the straight line method, and

“(iii) the limitation imposed by section 53(c) for such taxable year shall be increased by the bonus depreciation amount which is determined for such taxable year under subparagraph (B).

“(B) BONUS DEPRECIATION AMOUNT.—For purposes of this paragraph—

“(i) IN GENERAL.—The bonus depreciation amount for any taxable year is an amount equal to 20 percent of the excess (if any) of—

“(I) the aggregate amount of depreciation which would be allowed under this section for

qualified property placed in service by the taxpayer during such taxable year if paragraph (1) applied to all such property (and, in the case of any such property which is a passenger automobile (as defined in section 280F(d)(5)), if paragraph (2)(F) applied to such automobile), over

“(II) the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraphs (1) and (2)(F) did not apply to any such property.

The aggregate amounts determined under subclauses (I) and (II) shall be determined without regard to any election made under subparagraph (A) or subsection (b)(2)(D), (b)(3)(D), or (g)(7).

“(ii) LIMITATION.—The bonus depreciation amount for any taxable year shall not exceed the lesser of—

“(I) 50 percent of the minimum tax credit under section 53(b) for the first taxable year ending after December 31, 2015, or

“(II) the minimum tax credit under section 53(b) for such taxable year determined by taking into account only the adjusted net minimum tax for taxable years ending before January 1, 2016 (determined by treating credits as allowed on a first-in, first-out basis).

“(iii) AGGREGATION RULE.—All corporations which are treated as a single employer under section 52(a) shall be treated—

“(I) as 1 taxpayer for purposes of this paragraph, and

“(II) as having elected the application of this paragraph if any such corporation so elects.

“(C) CREDIT REFUNDABLE.—For purposes of section 6401(b), the aggregate increase in the credits allowable under part IV of subchapter A for any taxable year resulting from the application of this paragraph shall be treated as allowed under subpart C of such part (and not any other subpart).

“(D) OTHER RULES.—

“(i) ELECTION.—Any election under this paragraph may be revoked only with the consent of the Secretary.

“(ii) PARTNERSHIPS WITH ELECTING PARTNERS.—In the case of a corporation which is a partner in a partnership and which makes an election under subparagraph (A) for the taxable year, for purposes of determining such corporation’s distributive share of partnership items under section 702 for such taxable year—

“(I) paragraphs (1) and (2)(F) shall not apply to any qualified property placed in service during such taxable year, and

“(II) the applicable depreciation method used under this section with respect to such property shall be the straight line method.

“(iii) CERTAIN PARTNERSHIPS.—In the case of a partnership in which more than 50 percent of the

capital and profits interests are owned (directly or indirectly) at all times during the taxable year by 1 corporation (or by corporations treated as 1 taxpayer under subparagraph (B)(iii)), each partner shall compute its bonus depreciation amount under clause (i) of subparagraph (B) by taking into account its distributive share of the amounts determined by the partnership under subclauses (I) and (II) of such clause for the taxable year of the partnership ending with or within the taxable year of the partner.”.

26 USC 168.

(4) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.—Section 168(k) is amended—

(A) by striking paragraph (5), and

(B) by inserting after paragraph (4) the following new paragraph:

“(5) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.—

“(A) IN GENERAL.—In the case of any specified plant which is planted before January 1, 2020, or is grafted before such date to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer’s farming business (as defined in section 263A(e)(4)) during a taxable year for which the taxpayer has elected the application of this paragraph—

“(i) a depreciation deduction equal to 50 percent of the adjusted basis of such specified plant shall be allowed under section 167(a) for the taxable year in which such specified plant is so planted or grafted, and

“(ii) the adjusted basis of such specified plant shall be reduced by the amount of such deduction.

“(B) SPECIFIED PLANT.—For purposes of this paragraph, the term ‘specified plant’ means—

“(i) any tree or vine which bears fruits or nuts, and

“(ii) any other plant which will have more than one yield of fruits or nuts and which generally has a pre-productive period of more than 2 years from the time of planting or grafting to the time at which such plant begins bearing fruits or nuts.

Such term shall not include any property which is planted or grafted outside of the United States.

“(C) ELECTION REVOCABLE ONLY WITH CONSENT.—An election under this paragraph may be revoked only with the consent of the Secretary.

“(D) ADDITIONAL DEPRECIATION MAY BE CLAIMED ONLY ONCE.—If this paragraph applies to any specified plant, such specified plant shall not be treated as qualified property in the taxable year in which placed in service.

“(E) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—Rules similar to the rules of paragraph (2)(G) shall apply for purposes of this paragraph.

“(F) PHASE DOWN.—In the case of a specified plant which is planted after December 31, 2017 (or is grafted to a plant that has already been planted before such date), subparagraph (A)(i) shall be applied by substituting for ‘50 percent’—

“(i) in the case of a plant which is planted (or so grafted) in 2018, ‘40 percent’, and

“(ii) in the case of a plant which is planted (or so grafted) during 2019, ‘30 percent’.”.

(5) PHASE DOWN OF BONUS DEPRECIATION.—Section 168(k) is amended by adding at the end the following new paragraph: 26 USC 168.

“(6) PHASE DOWN.—In the case of qualified property placed in service by the taxpayer after December 31, 2017, paragraph (1)(A) shall be applied by substituting for ‘50 percent’—

“(A) in the case of property placed in service in 2018 (or in the case of property placed in service in 2019 and described in paragraph (2)(B) or (C) (determined by substituting ‘2019’ for ‘2020’ in paragraphs (2)(B)(i)(III) and (ii) and paragraph (2)(E)(i)), ‘40 percent’,

“(B) in the case of property placed in service in 2019 (or in the case of property placed in service in 2020 and described in paragraph (2)(B) or (C), ‘30 percent’.”.

(6) CONFORMING AMENDMENTS.—

(A) Section 168(e)(6) is amended—

(i) by redesignating subparagraphs (A) and (B) as subparagraphs (D) and (E), respectively,

(ii) by striking all that precedes subparagraph (D) (as so redesignated) and inserting the following:

“(6) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified leasehold improvement property’ means any improvement to an interior portion of a building which is nonresidential real property if—

“(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

“(I) by the lessee (or any sublessee) of such portion, or

“(II) by the lessor of such portion,

“(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

“(iii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

“(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,

“(ii) any elevator or escalator,

“(iii) any structural component benefitting a common area, or

“(iv) the internal structural framework of the building.

“(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

“(i) COMMITMENT TO LEASE TREATED AS LEASE.—

A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

“(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes

of the preceding sentence, the term ‘related persons’ means—

“(I) members of an affiliated group (as defined in section 1504), and

“(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase ‘80 percent or more’ shall be substituted for the phrase ‘more than 50 percent’ each place it appears in such subsection.”, and

(iii) by striking “subparagraph (A)” in subparagraph (E) (as so redesignated) and inserting “subparagraph (D)”.

26 USC 168.

(B) Section 168(e)(7)(B) is amended by striking “qualified leasehold improvement property” and inserting “qualified improvement property”.

(C) Section 168(e)(8) is amended by striking subparagraph (D).

(D) Section 168(k), as amended by the preceding provisions of this section, is amended by adding at the end the following new paragraph:

“(7) ELECTION OUT.—If a taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, paragraphs (1) and (2)(F) shall not apply to any qualified property in such class placed in service during such taxable year. An election under this paragraph may be revoked only with the consent of the Secretary.”.

(E) Section 168(l)(3) is amended—

(i) by striking “section 168(k)” in subparagraph (A) and inserting “subsection (k)”, and

(ii) by striking “section 168(k)(2)(D)(i)” in subparagraph (B) and inserting “subsection (k)(2)(D)”.

(F) Section 168(l)(4) is amended by striking “subparagraph (E) of section 168(k)(2)” and all that follows and inserting “subsection (k)(2)(E) shall apply.”.

(G) Section 168(l)(5) is amended by striking “section 168(k)(2)(G)” and inserting “subsection (k)(2)(G)”.

26 USC 263A.

(H) Section 263A(c) is amended by adding at the end the following new paragraph:

“(7) COORDINATION WITH SECTION 168(k)(5).—This section shall not apply to any amount allowed as a deduction by reason of section 168(k)(5) (relating to special rules for certain plants bearing fruits and nuts).”.

26 USC 460.

(I) Section 460(c)(6)(B)(ii), as amended by subsection (a), is amended to read as follows:

“(ii) is placed in service before January 1, 2020 (January 1, 2021 in the case of property described in section 168(k)(2)(B)).”.

(J) Section 168(k), as amended by subsection (a), is amended by striking “AND BEFORE JANUARY 1, 2016” in the heading thereof and inserting “AND BEFORE JANUARY 1, 2020”.

26 USC 168 note.

(7) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendments made by this subsection shall apply to property placed in service after December 31, 2015, in taxable years ending after such date.

(B) **EXPANSION OF ELECTION TO ACCELERATE AMT CREDITS IN LIEU OF BONUS DEPRECIATION.**—The amendments made by paragraph (3) shall apply to taxable years ending after December 31, 2015, except that in the case of any taxable year beginning before January 1, 2016, and ending after December 31, 2015, the limitation under section 168(k)(4)(B)(ii) of the Internal Revenue Code of 1986 (as amended by this section) shall be the sum of—

(i) the product of—

(I) the maximum increase amount (within the meaning of section 168(k)(4)(C)(iii) of such Code, as in effect before the amendments made by this subsection), multiplied by

(II) a fraction the numerator of which is the number of days in the taxable year before January 1, 2016, and the denominator of which is the number of days in the taxable year, plus

(ii) the product of—

(I) such limitation (determined without regard to this subparagraph), multiplied by

(II) a fraction the numerator of which is the number of days in the taxable year after December 31, 2015, and the denominator of which is the number of days in the taxable year.

(C) **SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.**—The amendments made by paragraph (4) (other than subparagraph (A) thereof) shall apply to specified plants (as defined in section 168(k)(5)(B) of the Internal Revenue Code of 1986, as amended by this subsection) planted or grafted after December 31, 2015.

SEC. 144. EXTENSION OF LOOK-THRU TREATMENT OF PAYMENTS BETWEEN RELATED CONTROLLED FOREIGN CORPORATIONS UNDER FOREIGN PERSONAL HOLDING COMPANY RULES.

(a) **IN GENERAL.**—Section 954(c)(6)(C) is amended by striking “January 1, 2015” and inserting “January 1, 2020”. 26 USC 954.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2014, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end. 26 USC 954 note.

Subtitle C—Extensions Through 2016

PART 1—TAX RELIEF FOR FAMILIES AND INDIVIDUALS

SEC. 151. EXTENSION AND MODIFICATION OF EXCLUSION FROM GROSS INCOME OF DISCHARGE OF QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.

(a) **EXTENSION.**—Section 108(a)(1)(E) is amended by striking “January 1, 2015” and inserting “January 1, 2017”. 26 USC 108.

(b) **MODIFICATION.**—Section 108(a)(1)(E), as amended by subsection (a), is amended by striking “discharged before” and all that follows and inserting “discharged—

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

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Division of Ratepayer Advocates	Office of Ratepayer Advocates, Electricity Planning and Policy B	