

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



March 19, 2008

Advice Letter 3832

Mr. Sid Newsom
Regulatory Tariff Administration
Southern California Gas Company – GT14D6
555 West Fifth Street
Los Angeles, CA 90013-4957

Subject: Reduction to the Income Tax Component of Contributions
and Advances for Construction

Dear Mr. Newsom:

Advice Letter 3832 is effective March 1, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



Ken Deremer
Director
Tariffs & Regulatory Accounts

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February 22, 2008

Advice No. 3832
(U 904 G)

Public Utilities Commission of the State of California

Subject: Reduction to the Income Tax Component of Contributions and Advances for Construction

Southern California Gas Company (SoCalGas) hereby submits for filing revisions to its tariffs, applicable throughout its service territory, as shown on Attachment B.

Purpose

Pursuant to Ordering Paragraph 7 of California Public Utilities Commission (Commission) Decision (D.) 87-09-026 in OII 86-11-019, SoCalGas hereby revises the tax factor contained in Preliminary Statement, Part IV, Income Tax Component of Contributions and Advances.

Background

SoCalGas' Preliminary Statement, Part IV, provides that Contributions in Aid of Construction (CIAC) and Refundable Advances for Construction (Advances) shall consist of two components: 1) income tax component (ITC) and 2) the balance of the Contribution or Advance. The ITC shall be calculated by multiplying the Balance of Contribution or Advance by the tax factor. The tax factor is established by using "Method 5" in accordance with Ordering Paragraph 3.b of Commission D.87-09-026 as modified by D.87-12-028.

D.87-09-026 directs the respondent utilities to file an advice letter to reflect any change in the tax factor, which would increase or decrease the rate by five percentage points or more.

Accordingly, the tax factor is being revised to reflect a recent change in the Federal business provisions of the Internal Revenue Code, pursuant to Title I, Section 103(a) of the Economic Stimulus Act of 2008 (H.R. 5140, Signed by the President on February 13, 2008).

A copy of this new provision, which provides additional depreciation, temporarily reduces SoCalGas' current tax factor and is included herein as Attachment C.

Tariff Revisions

By this filing, SoCalGas hereby revises Preliminary Statement, Part IV, to reflect a temporary decrease in the tax factor from 35% to 20%, which is used to compute the ITC associated with Contribution in Aid of Construction and Refundable Advances for Construction. The revised tax factor has been calculated, as shown in Attachment D, by using "Method 5" adopted by D.87-09-026 and D.87-12-028. Effective January 1, 2009, this additional allowance is no longer allowed and property contributed to SoCalGas after December 31, 2008 will be subject to the previously authorized tax factor of 35%.

Protest

Due to the requested March 1, 2008, effective date, SoCalGas respectfully requests that the Commission shorten the protest period to February 27, 2008, five days from the date filed. SoCalGas will respond to all received protests by February 28, 2008. Should SoCalGas' request be denied, the normal process outlined below for submitting a protest will apply.

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

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

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (mas@cpuc.ca.gov) and Honesto Gatchalian (jni@cpuc.ca.gov) of the Energy Division. A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom
Regulatory Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-Mail: snewsom@semprautilities.com

Effective Date

SoCalGas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. Therefore, SoCalGas requests that this filing be approved and effective March 1, 2008, and remain in effect until SoCalGas' next such filing with the Commission.

Notice

A copy of this advice letter is being sent to the parties shown on Attachment A.

KEN DEREMER
Director
Tariffs and Regulatory Accounts

Attachments

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. **SOUTHERN CALIFORNIA GAS COMPANY (U 904-G)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: snewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3832

Subject of AL: Reduction to the Income Tax Component of Contributions and Advances for Construction

Keywords (choose from CPUC listing): Compliance, Non-core, Procurement

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

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

D.87-09-026 and D.87-12-028

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 AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 3/1/08

No. of tariff sheets: 2

Estimated system annual revenue effect (%): _____

Estimated system average rate effect (%): _____

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: PS IV and TOCs

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: _____

Protests 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:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.

San Francisco, CA 94102

mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Southern California Gas Company

Attention: Sid Newsom

555 West Fifth Street, GT14D6

Los Angeles, CA 90013-1011

snewsom@semprautilities.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3832

(See Attached Service List)

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ATTACHMENT B
Advice No. 3832

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 43036-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 36614-G
Revised 43037-G	TABLE OF CONTENTS	Revised 43035-G

PRELIMINARY STATEMENT

Sheet 1

PART IV
INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES

Contributions in Aid of Construction (CIAC) and Refundable Advances for Construction (Advances) shall include federal and state taxes applicable to but not limited to, cash, services, facilities, labor, and property provided by a person or agency to the Utility. The value of all contributions and advances shall consist of two components for the purpose of recording transactions as follows:

- (1) Income Tax Component of Contributions and Advances (ITCCA), and
- (2) The balance of the contribution or advance.

The ITCCA shall be calculated by multiplying the balance of the CIAC or Advance by the tax factor of 35% beginning January 1, 1992, and thereafter. On or after March 1, 2008, and before January 1, 2009, the ITCCA shall be computed by using a tax factor of 20%.

The Utility shall make advice letter filings to reflect any changes in the tax factor that would increase or decrease the tax factor by five percentage points or more.

The tax factor is established in accordance with Ordering Paragraph 3.a. of Decision 87-09-026, as modified by Decision 87-12-028.

Pursuant to Decision 87-09-026, the 1987 tax factor of 35% was effective as of February 11, 1987.

State tax shall be collected in accordance with Ordering Paragraph 6 of Decision 87-09-026.

Pursuant to Assembly Bill 1757, California Corporate Franchise Tax shall be collected beginning January 1, 1992.

Utility shall recover through rates any penalties, interest or taxes incurred if the Internal Revenue Service (IRS) deems the method of tax collection authorized by Decision 87-09-026 a violation of the tax normalization rules and imposes additional taxes, penalties and interest.

A Public Benefit Exemption may apply on a CIAC or Advance made to the Utility by a government agency on the basis of either:

- (1) the CIAC or Advance is exempt from the ITCCA tax because it is made pursuant to actual condemnation or the threat thereof as recognized by Internal Revenue Code Section 1033; or,
- (2) the CIAC or Advance is exempt because it does not reasonably relate to the provision of service but rather to the benefit of the public at large.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 3832
DECISION NO. 87-09-026 & 87-12-028

ISSUED BY
Lee Schavrien
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Feb 22, 2008
EFFECTIVE Mar 1, 2008
RESOLUTION NO. _____

TABLE OF CONTENTS

The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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El Paso Turned-Back Capacity Balancing Account (EPTCBA)	40880-G
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Pension Balancing Account (PBA)	40882-G,40883-G

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3832
 DECISION NO. 87-09-026 & 87-12-028

ISSUED BY
Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Feb 22, 2008
 EFFECTIVE Mar 1, 2008
 RESOLUTION NO. _____

ATTACHMENT C

Economic Stimulus Act of 2008

TITLE I – RECOVERY REBATES AND INCENTIVES FOR BUSINESS INVESTMENT

SEC. 103. SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED DURING 2008.

- (a) IN GENERAL.—Subsection (k) of section 168 of the Internal Revenue Code of 1986 (relating to special allowance for certain property acquired after September 10, 2001, and before January 1, 2005) is amended—
- (1) by striking “September 10, 2001” each place it appears and inserting “December 31, 2007”,
 - (2) by striking “September 11, 2001” each place it appears and inserting “January 1, 2008”,
 - (3) by striking “January 1, 2005” each place it appears and inserting “January 1, 2009”, and
 - (4) by striking “January 1, 2006” each place it appears and inserting “January 1, 2010”.
- (b) 50 PERCENT ALLOWANCE.—Subparagraph (A) of section 168(k)(1) of such Code is amended by striking “30 percent” and inserting “50 percent”.
- (c) CONFORMING AMENDMENTS.—
- (1) Subclause (I) of section 168(k)(2)(B)(i) of such Code is amended by striking “and (iii)” and inserting “(iii), and (iv)”.
 - (2) Subclause (IV) of section 168(k)(2)(B)(i) of such Code is amended by striking “clauses (ii) and (iii)” and inserting “clause (iii)”.
 - (3) Clause (i) of section 168(k)(2)(C) of such Code is amended by striking “and (iii)” and inserting “, (iii), and (iv)”.
 - (4) Clause (i) of section 168(k)(2)(F) of such Code is amended by striking “\$4,600” and inserting “\$8,000”.
 - (5)(A) Subsection (k) of section 168 of such Code is amended by striking paragraph (4).
 - (B) Clause (iii) of section 168(k)(2)(D) of such Code is amended by striking the last sentence.
 - (6) Paragraph (4) of section 168(l) of such Code is amended by redesignating subparagraphs (A), (B), and (C) as subparagraphs (B), (C), and (D) and inserting before subparagraph (B) (as so redesignated) the following new subparagraph:
“(A) BONUS DEPRECIATION PROPERTY UNDER SUBSECTION (k).—Such term shall not include any property to which section 168(k) applies.”
 - (7) Paragraph (5) of section 168(l) of such Code is amended—
 - (A) by striking “September 10, 2001” in subparagraph (A) and inserting “December 31, 2007”, and
 - (B) by striking “January 1, 2005” in subparagraph (B) and inserting “January 1, 2009”.
 - (8) Subparagraph (D) of section 1400L(b)(2) of such Code is amended by striking “January 1, 2005” and inserting “January 1, 2010”.
 - (9) Paragraph (3) of section 1400N(d) of such Code is amended—
 - (A) by striking “September 10, 2001” in subparagraph (A) and inserting “December 31, 2007”, and
 - (B) by striking “January 1, 2005” in subparagraph (B) and inserting “January 1, 2009”.
 - (10) Paragraph (6) of section 1400N(d) of such Code is amended by adding at the end the following new subparagraph:
“(E) EXCEPTION FOR BONUS DEPRECIATION PROPERTY UNDER SECTION 168(k).—The term ‘specified Gulf Opportunity Zone extension property’ shall not include any property to which section 168(k) applies.”
 - (11) The heading for subsection (k) of section 168 of such Code is amended—
 - (A) by striking “SEPTEMBER 10, 2001” and inserting “DECEMBER 31, 2007”, and
 - (B) by striking “JANUARY 1, 2005” and inserting “JANUARY 1, 2009”.
 - (12) The heading for clause (ii) of section 168(k)(2)(B) of such Code is amended by striking “PRE-JANUARY 1, 2005” and inserting “PRE-JANUARY 1, 2009”.
- (d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2007, in taxable years ending after such date.