

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



March 18, 2009

Advice Letter 3962

Ronald van der Leeden, Director
Rates, Revenues and Tariffs
8330 Century Park Court CP32C
San Diego, CA 92123-1548

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

Dear Mr. van der Leeden:

Advice Letter 3962 is effective January 1, 2009.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Ronald van der Leeden
Director
Rates, Revenues and Tariffs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.3201
rvanderleeden@semprautilities.com

February 20, 2009

Advice No. 3962
(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.a 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 change in the Federal business provisions of the Internal Revenue Code, pursuant to Division B, Title I, Section 1201(a) of the American Recovery and Reinvestment Act of 2009 (H.R. 1, Signed by the President on February 17, 2009). A copy of this provision, which provides an additional depreciation allowance, will expire on December 31, 2009; therefore, SoCalGas' tax factor will increase beginning January 1, 2010. A copy of this provision is included herein as Attachment C.

Tariff Revisions

By this filing, SoCalGas hereby revises Preliminary Statement, Part IV, to reflect a decrease in the tax factor from 31% 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, 2010, the additional depreciation allowance is no longer allowed and property contributed to SoCalGas after December 31, 2009 will be subject to the authorized tax factor of 31%.

Protest

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 (jnj@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 1 (effective pending disposition) pursuant to GO 96-B. Therefore, SoCalGas requests that this filing be approved and effective January 1, 2009, which is the effective date of the Act, 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.

RONALD VAN DER LEEDEN
Director
Rates, Revenues, and Tariffs

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) #: 3962

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

Keywords (choose from CPUC listing): Compliance, Taxes

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: 1/1/09

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. 3962

(See Attached Service List)

Aglet Consumer Alliance
James Weil
jweil@aglet.org

Alcantar & Kahl
Kari Harteloo
klc@a-klaw.com

Alcantar & Kahl
Seema Srinivasan
sls@a-klaw.com

Alcantar & Kahl LLP
Annie Stange
sas@a-klaw.com

Alcantar & Kahl, LLP
Mike Cade
wmc@a-klaw.com

BP Amoco, Reg. Affairs
Marianne Jones
501 West Lake Park Blvd.
Houston, TX 77079

Barkovich & Yap
Catherine E. Yap
ceyap@earthlink.net

Beta Consulting
John Burkholder
burkee@cts.com

CPUC
Consumer Affairs Branch
505 Van Ness Ave., #2003
San Francisco, CA 94102

CPUC
Energy Rate Design & Econ.
505 Van Ness Ave., Rm. 4002
San Francisco, CA 94102

CPUC
Pearlie Sabino
pzs@cpuc.ca.gov

CPUC - DRA
Galen Dunham
gsd@cpuc.ca.gov

CPUC - DRA
Jacqueline Greig
jnm@cpuc.ca.gov

CPUC - DRA
R. Mark Pocta
rmp@cpuc.ca.gov

California Energy Market
Lulu Weinzimer
luluw@newsdata.com

Calpine Corp
Avis Clark
aclark@calpine.com

City of Anaheim
Ben Nakayama
Public Utilities Dept.
P. O. Box 3222
Anaheim, CA 92803

City of Azusa
Light & Power Dept.
215 E. Foothill Blvd.
Azusa, CA 91702

City of Banning
Paul Toor
P. O. Box 998
Banning, CA 92220

City of Burbank
Fred Fletcher/Ronald Davis
164 West Magnolia Blvd., Box 631
Burbank, CA 91503-0631

City of Colton
Thomas K. Clarke
650 N. La Cadena Drive
Colton, CA 92324

City of Long Beach, Gas & Oil Dept.
Chris Garner
2400 East Spring Street
Long Beach, CA 90806

City of Los Angeles
City Attorney
200 North Main Street, 800
Los Angeles, CA 90012

City of Pasadena - Water and Power
Dept.
G Bawa
GBawa@cityofpasadena.net

City of Riverside
Joanne Snowden
jsnowden@riversideca.gov

City of Vernon
Dan Bergmann
dan@igservice.com

Commerce Energy
Blake Lazusso
blasuzzo@commerceenergy.com

Commerce Energy
Brian Patrick
BPatrick@commerceenergy.com

Commerce Energy
Catherine Sullivan
csullivan@commerceenergy.com

County of Los Angeles
Stephen Crouch
1100 N. Eastern Ave., Room 300
Los Angeles, CA 90063

Crossborder Energy
Tom Beach
tomb@crossborderenergy.com

Culver City Utilities
Heustace Lewis
Heustace.Lewis@culvercity.org

DGS
Henry Nanjo
Henry.Nanjo@dgs.ca.gov

Davis Wright Tremaine, LLP
Edward W. O'Neill
505 Montgomery Street, Ste 800
San Francisco, CA 94111

Davis, Wright, Tremaine
Judy Pau
judypau@dwt.com

Dept. of General Services
Celia Torres
celia.torres@dgs.ca.gov

Douglass & Liddell
Dan Douglass
douglass@energyattorney.com

Douglass & Liddell
Donald C. Liddell
liddell@energyattorney.com

Downey, Brand, Seymour & Rohwer
Dan Carroll
dcarroll@downeybrand.com

Dynegy
Joseph M. Paul
jmpa@dynegy.com

Gas Transmission Northwest
Corporation
Bevin Hong
Bevin_Hong@transcanada.com

General Services Administration
Facilities Management (9PM-FT)
450 Golden Gate Ave.
San Francisco, CA 94102-3611

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
J. H. Patrick
hpatrick@gmssr.com

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
James D. Squeri
jsqueri@gmssr.com

Hanna & Morton
Norman A. Pedersen, Esq.
npedersen@hanmor.com

Imperial Irrigation District
K. S. Noller
P. O. Box 937
Imperial, CA 92251

JBS Energy
Jeff Nahigian
jeff@jbsenergy.com

Jeffer, Mangels, Butler & Marmaro
2 Embarcaero Center, 5th Floor
San Francisco, CA 94111

Kern River Gas Transmission Company
Janie Nielsen
Janie.Nielsen@KernRiverGas.com

LA County Metro
Julie Close
closeJ@metro.net

LADWP
Nevenka Ubavich
nevenka.ubavich@ladwp.com

LADWP
Randy Howard
P. O. Box 51111, Rm. 1522
Los Angeles, CA 90051-0100

Law Offices of Diane I. Fellman
Diane Fellman
diane_fellman@fpl.com

Law Offices of William H. Booth
William Booth
wbooth@booth-law.com

Luce, Forward, Hamilton & Scripps
John Leslie
jleslie@luce.com

MRW & Associates
Robert Weisenmiller
mrw@mrwassoc.com

Manatt Phelps Phillips
Randy Keen
rkeen@manatt.com

Manatt, Phelps & Phillips, LLP
David Huard
dhuard@manatt.com

March Joint Powers Authority
Lori Stone
23555 Meyer Drive,
March Air Reserve Base, CA 92518-
2038

Matthew Brady & Associates
Matthew Brady
matt@bradylawus.com

Julie Morris
Julie.Morris@PPMEnergy.com

National Utility Service, Inc.
Jim Boyle
One Maynard Drive, P. O. Box 712
Park Ridge, NJ 07656-0712

Navigant Consulting, Inc.
Ray Welch
ray.welch@navigantconsulting.com

PG&E Tariffs
Pacific Gas and Electric
PGETariffs@pge.com

Praxair Inc
Rick Noger
rick_noger@praxair.com

Questar Southern Trails
Lenard Wright
Lenard.Wright@Questar.com

R. W. Beck, Inc.
Catherine Elder
celder@rwbeck.com

Regulatory & Cogen Services, Inc.
Donald W. Schoenbeck
900 Washington Street, #780
Vancouver, WA 98660

Richard Hairston & Co.
Richard Hairston
hairstonco@aol.com

Safeway, Inc
Cathy Ikeuchi
cathy.ikeuchi@safeway.com

Sempra Global
William Tobin
wtobin@sempraglobal.com

Sierra Pacific Company
Christopher A. Hilén
chilen@sppc.com

Southern California Edison Co
Fileroom Supervisor
2244 Walnut Grove Ave., Rm 290, GO1
Rosemead, CA 91770

Southern California Edison Co
Karyn Gansecki
601 Van Ness Ave., #2040
San Francisco, CA 94102

Southern California Edison Co.
Colin E. Cushnie
Colin.Cushnie@SCE.com

Southern California Edison Co.
Kevin Cini
Kevin.Cini@SCE.com

Southern California Edison Co.
John Quinlan
john.quinlan@sce.com

Southern California Edison Company
Michael Alexander
Michael.Alexander@sce.com

Southwest Gas Corp.
John Hester
P. O. Box 98510
Las Vegas, NV 89193-8510

Suburban Water System
Bob Kelly
1211 E. Center Court Drive
Covina, CA 91724

Sutherland, Asbill & Brennan
Keith McCrea
kmccrea@sablaw.com

TURN
Marcel Hawiger
marcel@turn.org

TURN
Mike Florio
mflorio@turn.org

The Mehle Law Firm PLLC
Colette B. Mehle
cmehle@mehlelaw.com

Western Manufactured Housing
Communities Assoc.
Sheila Day
sheila@wma.org

ATTACHMENT B
Advice No. 3962

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 44448-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 44166-G
Revised 44449-G	TABLE OF CONTENTS	Revised 44447-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 20% beginning January 1, 2009, and thereafter.

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.

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. 3962
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 20, 2009
EFFECTIVE Jan 1, 2009
RESOLUTION NO. _____

T

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.

GENERAL

Cal. P.U.C. Sheet No.

Title Page	40864-G
Table of Contents--General and Preliminary Statement	44449-G,44195-G,44266-G
Table of Contents--Service Area Maps and Descriptions	41970-G
Table of Contents--Rate Schedules	44429-G,44430-G,44446-G
Table of Contents--List of Cities and Communities Served	40149.1-G
Table of Contents--List of Contracts and Deviations	40149.1-G
Table of Contents--Rules	43785-G,44206-G
Table of Contents--Sample Forms	43792-G,44116-G,43404-G,44089-G,43406-G

PRELIMINARY STATEMENT

Part I General Service Information	37917-G,24332-G,24333-G,24334-G,24749-G
Part II Summary of Rates and Charges	44409-G,44410-G,44411-G,44412-G,44220-G,44413-G 44354-G,43595-G,43596-G,44041-G,44364-G,44365-G,44224-G,44225-G
Part III Cost Allocation and Revenue Requirement	27024-G,37920-G,27026-G,27027-G,44226-G
Part IV Income Tax Component of Contributions and Advances	44448-G,24354-G
Part V Balancing Accounts	
Description and Listing of Balancing Accounts	43687-G
Purchased Gas Account (PGA)	43839-G
Core Fixed Cost Account (CFCA)	42242-G
Noncore Fixed Cost Account (NFCA)	42243-G
Enhanced Oil Recovery Account (EORA)	42244-G
Noncore Storage Balancing Account (NSBA)	44191-G,44192-G
California Alternate Rates for Energy Account (CAREA)	40872-G,40873-G
Brokerage Fee Account (BFA)	40874-G
Hazardous Substance Cost Recovery Account (HSCRA)	40875-G, 40876-G,40877-G
Natural Gas Vehicle Account (NGVA)	43688-G,40879-G
El Paso Turned-Back Capacity Balancing Account (EPTCBA)	40880-G
Gas Cost Rewards and Penalties Account (GCRPA)	40881-G
Pension Balancing Account (PBA)	43689-G,43690-G

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3962
 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 20, 2009
 EFFECTIVE Jan 1, 2009
 RESOLUTION NO. _____

ATTACHMENT C

American Recovery and Reinvestment Act of 2009

DIVISION B—TAX, UNEMPLOYMENT, HEALTH, STATE FISCAL RELIEF, AND OTHER PROVISIONS

TITLE I—TAX PROVISIONS

SEC. 1201. SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED DURING 2009.

(a) EXTENSION OF SPECIAL ALLOWANCE.—

(1) IN GENERAL.—Paragraph (2) of section 168(k) is amended—

(A) by striking “January 1, 2010” and inserting “January 1, 2011”, and

(B) by striking “January 1, 2009” each place it appears and inserting “January 1, 2010”.

(2) CONFORMING AMENDMENTS.—

(A) The heading for subsection (k) of section 168 is amended by striking “JANUARY 1, 2009” and inserting “JANUARY 1, 2010”.

(B) The heading for clause (ii) of section 168(k)(2)(B) is amended by striking “PRE-JANUARY 1, 2009” and inserting “PRE-JANUARY 1, 2010”.

(C) Subparagraph (B) of section 168(l)(5) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.

(D) Subparagraph (C) of section 168(n)(2) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.

(E) Subparagraph (B) of section 1400N(d)(3) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.

(3) TECHNICAL AMENDMENTS.—

(A) Subparagraph (D) of section 168(k)(4) is amended—

(i) by striking “and” at the end of clause (i), (ii) by redesignating clause (ii) as clause (iii), and (iii) by inserting after clause (i) the following new clause: “(ii) ‘April 1, 2008’ shall be substituted for ‘January 1, 2008’ in subparagraph (A)(iii)(I) thereof, and”.

(B) Subparagraph (A) of section 6211(b)(4) is amended by inserting “168(k)(4),” after “53(e),”.

(b) EXTENSION OF ELECTION TO ACCELERATE THE AMT AND RESEARCH CREDITS IN LIEU OF BONUS DEPRECIATION.—

(1) IN GENERAL.—Section 168(k)(4) (relating to election to accelerate the AMT and research credits in lieu of bonus depreciation) is amended—

(A) by striking “2009” and inserting “2010” in subparagraph (D)(iii) (as redesignated by subsection (a)(3)), and

(B) by adding at the end the following new subparagraph:

“(H) SPECIAL RULES FOR EXTENSION PROPERTY.—

“(i) TAXPAYERS PREVIOUSLY ELECTING ACCELERATION.— In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008—

“(I) the taxpayer may elect not to have this paragraph apply to extension property, but

“(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer a separate bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is extension property and to eligible qualified property which is not extension property.

“(ii) TAXPAYERS NOT PREVIOUSLY ELECTING ACCELERATION.— In the case of a taxpayer who did not make the election under subparagraph (A) for its first taxable year ending after March 31, 2008—

“(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2008, and each subsequent taxable year, and

“(II) if the taxpayer makes the election under subclause (I), this paragraph shall only apply to eligible qualified property which is extension property.

“(iii) EXTENSION PROPERTY.—For purposes of this subparagraph, the term ‘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 1201(a) of the American Recovery and Reinvestment Tax Act of 2009 (and the application of such extension to this paragraph pursuant to the amendment made by section 1201(b)(1) of such Act).”.

(2) TECHNICAL AMENDMENT.—Section 6211(b)(4)(A) is amended by inserting “168(k)(4),” after “53(e),”.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to property placed in service after December 31, 2008, in taxable years ending after such date.

(2) TECHNICAL AMENDMENTS.—The amendments made by subsections (a)(3) and (b)(2) shall apply to taxable years ending after March 31, 2008.

ATTACHMENT D

Advice No. 3962

Revised Tax Factor Calculation Using Method 5

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

**CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES
WITH 50% BONUS DEPRECIATION on 15 YEAR PROPERTY**

File F:\GROUP\TARIFFADV-LTRS\MISC-ALS\VTCCA\CIAC Gross-up - 15 Yr Fed 35 Yr State.xls\50% Bonus 15 Yr Fed

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
YEAR	CIAC OF \$1,000	TAX BASIS	CALIFORNIA DEPRECIATION RATES	CALIFORNIA RATES	STATE TAX BENEFIT	MODIFIED MACRS RATES	FEDERAL TAX RATE	FEDERAL TAX BENEFIT	REMAINING CIAC PAYABLE	WTD. AVG. UNRECOVERED TAX PMT.	PRE-TAX RATE OF RETURN 17.000%	REVENUE REQUIREMENT ON REMAINING INVESTMENT	DISCOUNT FACTOR 0.12	DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT		
1	438.4	1,000	2.857%	8.840%	2.5256	52.500%	35.00%	183.7500	252.1244	345.2622	17.000%	58.6946	0.8929	52.4059	1	-0.8929
2	-30.94		5.551%		4.9071	4.750%		15.7410	200.5363	226.3304	17.000%	38.4762	0.7972	30.6730	2	-0.7972
3			5.234%		4.6269	4.275%		13.2450	182.6644	191.6003	17.000%	32.5721	0.7118	23.1842	3	-0.7118
4			4.935%		4.3625	3.850%		11.8556	166.4463	174.5553	17.000%	29.6744	0.6355	18.8586	4	-0.6355
5			4.653%		4.1133	3.465%		10.6006	151.7324	159.0893	17.000%	27.0452	0.5674	15.3462	5	-0.5674
6			4.387%		3.8781	3.115%		9.4628	138.3914	145.0619	17.000%	24.6605	0.5066	12.4938	6	-0.5066
7			4.137%		3.6571	2.950%		8.9677	125.7667	132.0790	17.000%	22.4534	0.4523	10.1568	7	-0.4523
8			3.901%		3.4485	2.950%		9.0450	113.2732	119.5199	17.000%	20.3184	0.4039	8.2063	8	-0.4039
9			3.678%		3.2514	2.955%		9.1355	100.8862	107.0797	17.000%	18.2035	0.3606	6.5644	9	-0.3606
10			3.468%		3.0657	2.950%		9.1870	88.6335	94.7599	17.000%	16.1092	0.3220	5.1867	10	-0.3220
11			3.270%		2.8907	2.955%		9.2695	76.4733	82.5534	17.000%	14.0341	0.2875	4.0345	11	-0.2875
12			3.084%		2.7263	2.950%		9.3133	64.4338	70.4535	17.000%	11.9771	0.2567	3.0742	12	-0.2567
13			2.908%		2.5707	2.955%		9.3883	52.4748	58.4543	17.000%	9.9372	0.2292	2.2773	13	-0.2292
14			2.742%		2.4239	2.950%		9.4253	40.6256	46.5502	17.000%	7.9135	0.2046	1.6193	14	-0.2046
15			2.585%		2.2851	2.955%		9.4941	28.8464	34.7360	17.000%	5.9051	0.1827	1.0788	15	-0.1827
16			2.438%		2.1552	1.475%		4.3627	22.3285	25.5874	17.000%	4.3499	0.1631	0.7096	16	-0.1631
17			2.299%		2.0323			(0.7543)	21.0505	21.6895	17.000%	3.6872	0.1456	0.5370	17	-0.1456
18			2.168%		1.9165			(0.7113)	19.8453	20.4479	17.000%	3.4761	0.1300	0.4520	18	-0.1300
19			2.040%		1.8034			(0.6708)	18.7127	19.2790	17.000%	3.2774	0.1161	0.3805	19	-0.1161
20			2.040%		1.8034			(0.6312)	17.5404	18.1266	17.000%	3.0815	0.1037	0.3194	20	-0.1037
21			2.040%		1.8034			(0.6312)	16.3682	16.9543	17.000%	2.8822	0.0926	0.2668	21	-0.0926
22			2.040%		1.8034			(0.6312)	15.1960	15.7821	17.000%	2.6830	0.0826	0.2217	22	-0.0826
23			2.040%		1.8034			(0.6312)	14.0238	14.6099	17.000%	2.4837	0.0738	0.1833	23	-0.0738
24			2.040%		1.8034			(0.6312)	12.8516	13.4377	17.000%	2.2844	0.0659	0.1505	24	-0.0659
25			2.040%		1.8034			(0.6312)	11.6794	12.2655	17.000%	2.0851	0.0588	0.1227	25	-0.0588
26			2.040%		1.8034			(0.6312)	10.5072	11.0933	17.000%	1.8859	0.0525	0.0990	26	-0.0525
27			2.040%		1.8034			(0.6312)	9.3350	9.9211	17.000%	1.6866	0.0469	0.0791	27	-0.0469
28			2.040%		1.8034			(0.6312)	8.1628	8.7489	17.000%	1.4873	0.0419	0.0623	28	-0.0419
29			2.040%		1.8034			(0.6312)	6.9906	7.5767	17.000%	1.2880	0.0374	0.0481	29	-0.0374
30			2.040%		1.8034			(0.6312)	5.8183	6.4045	17.000%	1.0888	0.0334	0.0363	30	-0.0334
31			2.040%		1.8034			(0.6312)	4.6461	5.2322	17.000%	0.8895	0.0298	0.0265	31	-0.0298
32			2.040%		1.8034			(0.6312)	3.4739	4.0600	17.000%	0.6902	0.0266	0.0184	32	-0.0266
33			2.040%		1.8034			(0.6312)	2.3017	2.8878	17.000%	0.4909	0.0238	0.0117	33	-0.0238
34			2.040%		1.8034			(0.6312)	1.1295	1.7156	17.000%	0.2917	0.0212	0.0062	34	-0.0212
35			2.040%		1.8034			(0.6312)	(0.0427)	0.5434	17.000%	0.0924	0.0189	0.0018	35	-0.0189
36			1.025%		0.9061			(0.6312)	(0.3176)	(0.1802)	17.000%	(0.0306)	0.0169	-0.0005	36	-0.0169
					0.0000			(0.3171)	(0.0005)	(0.1590)	17.000%	(0.0270)	1.0000	-0.0270		-1.0000
			100.000%		88.4008	100.0%		319.0597				378.0987		198.8653		19.8900%
	407.46							407.4605					/ 1000	20.0000%		

Calculation of 15 year MACRS Rates
 Following election of 50% first year Expensing

Cost 1,000,000

	Original Rate	Bonus Rate	Combined	Depreciation	Percentage
1	5.000%	50.000%	55.000%	525,000.0000	52.500%
2	9.500%			47,500.0000	4.750%
3	8.550%			42,750.0000	4.275%
4	7.700%			38,500.0000	3.850%
5	6.930%			34,650.0000	3.465%
6	6.230%			31,150.0000	3.115%
7	5.900%			29,500.0000	2.950%
8	5.900%			29,500.0000	2.950%
9	5.910%			29,550.0000	2.955%
10	5.900%			29,500.0000	2.950%
11	5.910%			29,550.0000	2.955%
12	5.900%			29,500.0000	2.950%
13	5.910%			29,550.0000	2.955%
14	5.900%			29,500.0000	2.950%
15	5.910%			29,550.0000	2.955%
16	2.950%			14,750.0000	1.475%
17				0.0000	0.000%
18				0.0000	0.000%
19				0.0000	0.000%
20				0.0000	0.000%
21				0.0000	0.000%
	<u>100.000%</u>			<u>1,000,000.0000</u>	<u>100.0%</u>