

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 4, 2010

Advice Letter 4046

Ronald van der Leeden, Director
Rates, Revenues and Tariffs
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

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

Dear Mr. van der Leeden:

Advice Letter 4046 is effective January 1, 2010.

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

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December 1, 2009

Advice No. 4046
(U 904 G)

Public Utilities Commission of the State of California

Subject: Increase of 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 an increase in the tax factor from 20% to 31%, 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 2 (effective upon staff's approval) pursuant to GO 96-B. Therefore, SoCalGas respectfully requests that this be approved and effective on January 1, 2010, the date on which the additional allowances are no longer available.

Notice

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

RON 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) #: 4046

Subject of AL: Increase of 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: 1/1/10

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. 4046

(See Attached Service List)

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ATTACHMENT B
Advice No. 4046

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 45265-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 44448-G
Revised 45266-G	TABLE OF CONTENTS	Revised 45264-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 31% beginning January 1, 2010, 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. 4046
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 Dec 1, 2009
EFFECTIVE Jan 1, 2010
RESOLUTION NO. _____

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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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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4046
 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 Dec 1, 2009
 EFFECTIVE Jan 1, 2010
 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. 4045

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
YEAR	PMT/(BEN) REFLECTING 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.	RATE OF RETURN	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	5.000%	35.00%	17.5000	418.3744	428.3872	17.000%	72.8258	0.8929	65.0262
2	-30.94		5.551%		4.9071	9.500%		32.3660	350.1613	384.2679	17.000%	65.3255	0.7972	52.0771
3			5.234%		4.6269	8.550%		28.2075	317.3270	333.7442	17.000%	56.7365	0.7118	40.3839
4			4.935%		4.3625	7.700%		25.3306	287.6338	302.4804	17.000%	51.4217	0.6355	32.6794
5			4.653%		4.1133	6.930%		22.7281	260.7925	274.2132	17.000%	46.6162	0.5674	26.4513
6			4.387%		3.8781	6.230%		20.3654	236.5490	248.6707	17.000%	42.2740	0.5066	21.4173
7			4.137%		3.6571	5.900%		19.2927	213.5992	225.0741	17.000%	38.2626	0.4523	17.3081
8			3.901%		3.4485	5.900%		19.3700	190.7807	202.1899	17.000%	34.3723	0.4039	13.8824
9			3.678%		3.2514	5.910%		19.4780	168.0513	179.4160	17.000%	30.5007	0.3606	10.9989
10			3.468%		3.0657	5.900%		19.5120	145.4736	156.7625	17.000%	26.6496	0.3220	8.5805
11			3.270%		2.8907	5.910%		19.6120	122.9709	134.2223	17.000%	22.8178	0.2875	6.5596
12			3.084%		2.7263	5.900%		19.6383	100.6064	111.7887	17.000%	19.0041	0.2567	4.8779
13			2.908%		2.5707	5.910%		19.7308	78.3049	89.4556	17.000%	15.2075	0.2292	3.4852
14			2.742%		2.4239	5.900%		19.7503	56.1307	67.2178	17.000%	11.4270	0.2046	2.3382
15			2.585%		2.2851	5.910%		19.8366	34.0089	45.0698	17.000%	7.6619	0.1827	1.3998
16			2.438%		2.1552	2.950%		9.5252	22.3285	28.1687	17.000%	4.7887	0.1631	0.7811
17			2.299%		2.0323			(0.7543)	21.0505	21.6895	17.000%	3.6872	0.1456	0.5370
18			2.168%		1.9165			(0.7113)	19.8453	20.4479	17.000%	3.4761	0.1300	0.4520
19			2.040%		1.8034			(0.6708)	18.7128	19.2790	17.000%	3.2774	0.1161	0.3805
20			2.040%		1.8034			(0.6312)	17.5406	18.1267	17.000%	3.0815	0.1037	0.3194
21			2.040%		1.8034			(0.6312)	16.3684	16.9545	17.000%	2.8823	0.0926	0.2668
22			2.040%		1.8034			(0.6312)	15.1963	15.7824	17.000%	2.6830	0.0826	0.2217
23			2.040%		1.8034			(0.6312)	14.0241	14.6102	17.000%	2.4837	0.0738	0.1833
24			2.040%		1.8034			(0.6312)	12.8520	13.4380	17.000%	2.2845	0.0659	0.1505
25			2.040%		1.8034			(0.6312)	11.6798	12.2659	17.000%	2.0852	0.0588	0.1227
26			2.040%		1.8034			(0.6312)	10.5076	11.0937	17.000%	1.8859	0.0525	0.0990
27			2.040%		1.8034			(0.6312)	9.3355	9.9216	17.000%	1.6867	0.0469	0.0791
28			2.040%		1.8034			(0.6312)	8.1633	8.7494	17.000%	1.4874	0.0419	0.0623
29			2.040%		1.8034			(0.6312)	6.9912	7.5772	17.000%	1.2881	0.0374	0.0482
30			2.040%		1.8034			(0.6312)	5.8190	6.4051	17.000%	1.0889	0.0334	0.0363
31			2.040%		1.8034			(0.6312)	4.6468	5.2329	17.000%	0.8896	0.0298	0.0265
32			2.040%		1.8034			(0.6312)	3.4747	4.0608	17.000%	0.6903	0.0266	0.0184
33			2.040%		1.8034			(0.6312)	2.3025	2.8886	17.000%	0.4911	0.0238	0.0117
34			2.040%		1.8034			(0.6312)	1.1304	1.7164	17.000%	0.2918	0.0212	0.0062
35			2.040%		1.8034			(0.6312)	(0.0418)	0.5443	17.000%	0.0925	0.0189	0.0018
36			1.025%		0.9061			(0.6312)	(0.3167)	(0.1792)	17.000%	(0.0305)	0.0169	-0.0005
37					0.0000			(0.3171)	0.0004	(0.1581)	17.000%	(0.0269)	0.0151	-0.0004
			<u>100.000%</u>		<u>88.4000</u>	<u>100.000%</u>		<u>319.0596</u>				<u>581.6677</u>		<u>311.2692</u>
	<u>407.46</u>							<u>407.4596</u>					/ 1000	<u>31.1300%</u>
													Rate:	<u>31.0000%</u>