

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 29, 2010

Advice Letter 4154

Rasha Prince, Director
Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

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

Dear Ms. Prince:

Advice Letter 4154 is effective January 1, 2010.

Sincerely,

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

Julie A. Fitch, Director
Energy Division



Rasha Prince
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
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October 1, 2010

Advice No. 4154
(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 Title II, Subtitle A, Part II, Section 2022 of The Small Business Jobs Act of 2010 (Public Law 111-240, signed by the President on September 27, 2010). This provision, which will expire on December 31, 2010, provides an additional depreciation allowance. Therefore, SoCalGas' tax factor will decrease retroactive to 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, 2011, the additional depreciation allowance is no longer allowed and property contributed to SoCalGas after December 31, 2010 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, which is October 21, 2010. 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, 2010, 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 listed on Attachment A.

Rasha Prince
Director – Regulatory Affairs

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) #: 4154

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: 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. 4154

(See Attached Service List)

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ATTACHMENT B
Advice No. 4154

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 46462-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 45265-G
Revised 46463-G	TABLE OF CONTENTS	Revised 46461-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, 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. 4154
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 Oct 1, 2010
EFFECTIVE Jan 1, 2010
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.

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Part III Cost Allocation and Revenue Requirement	45267-G,45268-G,45269-G,45613-G,45614-G
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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4154
 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 Oct 1, 2010
 EFFECTIVE Jan 1, 2010
 RESOLUTION NO. _____

ATTACHMENT C

Advice No. 4154

Excerpt from The Small Business Jobs Act of 2010

The Small Business Jobs Act of 2010 (Public Law 111-240)

TITLE II—TAX PROVISIONS

Subtitle A—Small Business Relief

PART II—ENCOURAGING INVESTMENT

SEC. 2022. ADDITIONAL FIRST-YEAR DEPRECIATION FOR 50 PERCENT OF THE BASIS OF CERTAIN QUALIFIED PROPERTY.

(a) IN GENERAL.—Paragraph (2) of section 168(k) of the Internal Revenue Code of 1986 is amended—

(1) by striking “January 1, 2011” in subparagraph (A)(iv) and inserting “January 1, 2012”, and

(2) by striking “January 1, 2010” each place it appears and inserting “January 1, 2011”.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subsection (k) of section 168 of the Internal Revenue Code of 1986 is amended by striking “JANUARY 1, 2010” and inserting “JANUARY 1, 2011”.

(2) The heading for clause (ii) of section 168(k)(2)(B) of such Code is amended by striking “PRE-JANUARY 1, 2010” and inserting “PRE-JANUARY 1, 2011”.

(3) Subparagraph (D) of section 168(k)(4) of such Code is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting a comma, and by adding at the end the following new clauses:

“(iv) ‘January 1, 2011’ shall be substituted for ‘January 1, 2012’ in subparagraph (A)(iv) thereof, and
“(v) ‘January 1, 2010’ shall be substituted for ‘January 1, 2011’ each place it appears in subparagraph (A) thereof.”.

(4) Subparagraph (B) of section 168(l)(5) of such Code is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(5) Subparagraph (C) of section 168(n)(2) of such Code is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(6) Subparagraph (D) of section 1400L(b)(2) of such Code is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(7) Subparagraph (B) of section 1400N(d)(3) of such Code is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2009, in taxable years ending after such date.

ATTACHMENT D

Advice No. 4154

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>