

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 28, 2011

Advice Letter 4188-A

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

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

Dear Ms. Prince:

Advice Letter 4188-A is effective September 9, 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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RPrince@semprautilities.com

January 7, 2011

Advice No. 4188-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplemental: 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

This supplemental filing replaces in its entirety Advice No. (AL) 4188 dated December 27, 2010 in order to correct the inadvertent error in the tax factor used to compute the income tax component (ITC) associated with Contributions in Aid of Construction and Refundable Advances for Construction and the authorized tax factor that will be effective on January 1, 2012.

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) 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 Section 1, Title IV, Section 401 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Tax Relief Act) (H.R. 4853, signed by the President on December 17, 2010). This provision,

which will expire on December 31, 2011, provides an additional depreciation allowance. Therefore, SoCalGas' tax factor will decrease retroactive to September 9, 2010. A copy of this provision is included herein as Attachment C.

Tariff Revisions

By this supplemental filing, SoCalGas hereby revises Preliminary Statement, Part IV, to reflect a decrease in the tax factor from 20% to 8%, which is used to compute the ITC associated with Contributions 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, 2012, the additional depreciation allowance is no longer allowed and property contributed to SoCalGas after December 31, 2011 will be subject to the authorized tax factor of 22%, which reflects a change in law to extend the tax depreciable life of gas property from 15 years to 20 years effective January 1, 2011.

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 January 26, 2011. 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 Maria Salinas (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 September 9, 2010, which is the effective date of the 2010 Tax Relief 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) #: 4188-A

Subject of AL: Supplemental: 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: 9/9/10

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. 4188-A

(See Attached Service List)

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ATTACHMENT B
Advice No. 4188-A

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 46813-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 46708-G Revised 46462-G
Revised 46814-G	TABLE OF CONTENTS	Revised 46793-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 8% beginning September 9, 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. 4188-A
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 Jan 7, 2011
EFFECTIVE Sep 9, 2010
RESOLUTION NO. _____

T

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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. 4188-A
 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 Jan 7, 2011
 EFFECTIVE Sep 9, 2010
 RESOLUTION NO. _____

ATTACHMENT C

Advice No. 4188-A

**Excerpt from the Tax Relief, Unemployment Insurance
Reauthorization, and Job Creation Act of 2010 (H.R. 4853)**

Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (H.R. 4853)

SECTION 1. SHORT TITLE; ETC.

This Act may be cited as the “Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010”.

TITLE IV—TEMPORARY EXTENSION OF INVESTMENT INCENTIVES

SEC. 401. EXTENSION OF BONUS DEPRECIATION; TEMPORARY 100 PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.

- (a) IN GENERAL.—Paragraph (2) of section 168(k) is amended—
- (1) by striking “January 1, 2012” in subparagraph (A)(iv) and inserting “January 1, 2014”, and
 - (2) by striking “January 1, 2011” each place it appears and inserting “January 1, 2013”.
- (b) TEMPORARY 100 PERCENT EXPENSING.—Subsection (k) of section 168 is amended by adding at the end the following new paragraph: “(5) SPECIAL RULE FOR PROPERTY ACQUIRED DURING CERTAIN PRE-2012 PERIODS.—In the case of qualified property acquired by the taxpayer (under rules similar to the rules of clauses (ii) and (iii) of paragraph (2)(A)) after September 8, 2010, and before January 1, 2012, and which is placed in service by the taxpayer before January 1, 2012 (January 1, 2013, in the case of property described in subparagraph (2)(B) or (2)(C)), paragraph (1)(A) shall be applied by substituting ‘100 percent’ for ‘50 percent’.”
- (c) EXTENSION OF ELECTION TO ACCELERATE THE AMT CREDIT IN LIEU OF BONUS DEPRECIATION.—
- (1) EXTENSION.—Clause (iii) of section 168(k)(4)(D) is amended by striking “or production” and all that follows and inserting “or production— “(I) after March 31, 2008, and before January 1, 2010, and “(II) after December 31, 2010, and before January 1, 2013, shall be taken into account under subparagraph (B)(ii) thereof.”.
 - (2) RULES FOR ROUND 2 EXTENSION PROPERTY.—Paragraph (4) of section 168(k) is amended by adding at the end the following new subparagraph: “(I) SPECIAL RULES FOR ROUND 2 EXTENSION PROPERTY.— “(i) IN GENERAL.—In the case of round 2 extension property, this paragraph shall be applied without regard to— “(I) the limitation described in subparagraph (B)(i) thereof, and “(II) the business credit increase amount under subparagraph (E)(iii) thereof. “(ii) 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, or a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008— “(I) the taxpayer may elect not to have this paragraph apply to round 2 extension property, but “(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is round 2 extension property. The amounts described in subclause (II) shall be computed separately from any amounts computed with respect to eligible qualified property which is not round 2 extension property. “(iii) TAXPAYERS NOT PREVIOUSLY ELECTING ACCELERATION.— In the case of a taxpayer who neither made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, nor made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008— “(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2010, 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 round 2 extension property. “(iv) ROUND 2 EXTENSION PROPERTY.—For purposes of this subparagraph, the term ‘round 2 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 401(a) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (and the application of such extension to this paragraph pursuant to the amendment made by section 401(c)(1) of such Act).”.

(d) CONFORMING AMENDMENTS.—

- (1) The heading for subsection (k) of section 168 is amended by striking “JANUARY 1, 2011” and inserting “JANUARY 1, 2013”.
- (2) The heading for clause (ii) of section 168(k)(2)(B) is amended by striking “PRE-JANUARY 1, 2011” and inserting “PREJANUARY 1, 2013”.
- (3) Subparagraph (D) of section 168(k)(4) is amended—
 - (A) by striking clauses (iv) and (v),
 - (B) by inserting “and” at the end of clause (ii), and
 - (C) by striking the comma at the end of clause (iii) and inserting a period.
- (4) Paragraph (5) of section 168(l) is amended—
 - (A) by inserting “and” at the end of subparagraph (A),
 - (B) by striking subparagraph (B), and
 - (C) by redesignating subparagraph (C) as subparagraph (B).
- (5) Subparagraph (C) of section 168(n)(2) is amended by striking “January 1, 2011” and inserting “January 1, 2013”.
- (6) Subparagraph (D) of section 1400L(b)(2) is amended by striking “January 1, 2011” and inserting “January 1, 2013”.
- (7) Subparagraph (B) of section 1400N(d)(3) is amended by striking “January 1, 2011” and inserting “January 1, 2013”.

(e) 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, 2010, in taxable years ending after such date.
- (2) TEMPORARY 100 PERCENT EXPENSING.—The amendment made by subsection (b) shall apply to property placed in service after September 8, 2010, in taxable years ending after such date.

ATTACHMENT D

Advice No. 4188-A

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
(Gas Property)

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
YEAR	TAX 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	88.4	1,000	2.857%	8.840%	2.5256	100.000%	0.00%	0.0000	85.8744	87.1372	17.000%	14.8133	0.8929	13.2268
2	0		5.551%		4.9071			0.0000	80.9673	83.4209	17.000%	14.1815	0.7972	11.3054
3			5.234%		4.6269			0.0000	76.3405	78.6539	17.000%	13.3712	0.7118	9.5174
4			4.935%		4.3625			0.0000	71.9779	74.1592	17.000%	12.6071	0.6355	8.0120
5			4.653%		4.1133			0.0000	67.8647	69.9213	17.000%	11.8866	0.5674	6.7448
6			4.387%		3.8781			0.0000	63.9866	65.9256	17.000%	11.2074	0.5066	5.6780
7			4.137%		3.6571			0.0000	60.3295	62.1580	17.000%	10.5669	0.4523	4.7799
8			3.901%		3.4485			0.0000	56.8810	58.6052	17.000%	9.9629	0.4039	4.0238
9			3.678%		3.2514			0.0000	53.6296	55.2553	17.000%	9.3934	0.3606	3.3874
10			3.468%		3.0657			0.0000	50.5639	52.0968	17.000%	8.8565	0.3220	2.8516
11			3.270%		2.8907			0.0000	47.6732	49.1186	17.000%	8.3502	0.2875	2.4005
12			3.084%		2.7263			0.0000	44.9470	46.3101	17.000%	7.8727	0.2567	2.0207
13			2.908%		2.5707			0.0000	42.3763	43.6616	17.000%	7.4225	0.2292	1.7010
14			2.742%		2.4239			0.0000	39.9524	41.1643	17.000%	6.9979	0.2046	1.4319
15			2.585%		2.2851			0.0000	37.6672	38.8098	17.000%	6.5977	0.1827	1.2054
16			2.438%		2.1552			0.0000	35.5120	36.5896	17.000%	6.2202	0.1631	1.0146
17			2.299%		2.0323			0.0000	33.4797	34.4959	17.000%	5.8643	0.1456	0.8541
18			2.168%		1.9165			0.0000	31.5632	32.5215	17.000%	5.5287	0.1300	0.7189
19			2.040%		1.8034			0.0000	29.7599	30.6615	17.000%	5.2125	0.1161	0.6052
20			2.040%		1.8034			0.0000	27.9565	28.8582	17.000%	4.9059	0.1037	0.5086
21			2.040%		1.8034			0.0000	26.1531	27.0548	17.000%	4.5993	0.0926	0.4257
22			2.040%		1.8034			0.0000	24.3498	25.2515	17.000%	4.2927	0.0826	0.3548
23			2.040%		1.8034			0.0000	22.5464	23.4481	17.000%	3.9862	0.0738	0.2941
24			2.040%		1.8034			0.0000	20.7431	21.6447	17.000%	3.6796	0.0659	0.2424
25			2.040%		1.8034			0.0000	18.9397	19.8414	17.000%	3.3730	0.0588	0.1984
26			2.040%		1.8034			0.0000	17.1363	18.0380	17.000%	3.0665	0.0525	0.1611
27			2.040%		1.8034			0.0000	15.3330	16.2347	17.000%	2.7599	0.0469	0.1294
28			2.040%		1.8034			0.0000	13.5296	14.4313	17.000%	2.4533	0.0419	0.1027
29			2.040%		1.8034			0.0000	11.7263	12.6279	17.000%	2.1467	0.0374	0.0803
30			2.040%		1.8034			0.0000	9.9229	10.8246	17.000%	1.8402	0.0334	0.0614
31			2.040%		1.8034			0.0000	8.1195	9.0212	17.000%	1.5336	0.0298	0.0457
32			2.040%		1.8034			0.0000	6.3162	7.2179	17.000%	1.2270	0.0266	0.0326
33			2.040%		1.8034			0.0000	4.5128	5.4145	17.000%	0.9205	0.0238	0.0219
34			2.040%		1.8034			0.0000	2.7095	3.6111	17.000%	0.6139	0.0212	0.0130
35			2.040%		1.8034			0.0000	0.9061	1.8078	17.000%	0.3073	0.0189	0.0058
36			1.025%		0.9061			0.0000	(0.0000)	0.4530	17.000%	0.0770	0.0169	0.0013
37					0.0000			0.0000	(0.0000)	(0.0000)	17.000%	0.0000	0.0151	0.0000
			<u>100.000%</u>		<u>88.4000</u>	<u>100.000%</u>		<u>0.0000</u>				<u>218.6961</u>		<u>84.1588</u>
	<u>88.4</u>							<u>88.4000</u>				84.1588	/ 1000	<u>8.4200%</u>
													Rate:	<u>8.0000%</u>