

STATE OF CALIFORNIA

Edmund G. Brown Jr., Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



February 13, 2012

**Advice Letter 4321-G**

Sid Newsom  
Tariff Manager-GT14D6  
Southern California Gas Company  
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. Newsom:

Advice Letter 4321-G is effective January 1, 2012.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director  
Energy Division



**Rasha Prince**  
Director  
Regulatory Affairs

555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011  
Tel: 213.244.5141  
Fax: 213.244.4957  
*RPrince@semprautilities.com*

January 6, 2012

Advice No. 4321  
(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) 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). The provision providing an additional depreciation allowance expired on December 31, 2011. A copy of this provision is included herein as Attachment C. Therefore, SoCalGas' tax factor will increase retroactive to January 1, 2012.

**Tariff Revisions**

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, 2012.

SoCalGas hereby revises Preliminary Statement, Part IV, to reflect an increase in the tax factor from 8% to 22%, 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.

**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, 2012. 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](mailto:mas@cpuc.ca.gov)) and Honesto Gatchalian ([inj@cpuc.ca.gov](mailto:inj@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](mailto: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 made effective January 1, 2012, the date on which the additional allowances expired in 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.

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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) #: 4321

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

Keywords (choose from CPUC listing): Preliminary Statement; Procurement

AL filing type:  Monthly     Quarterly     Annual     One-Time     Other

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 AL<sup>1</sup>: N/A

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

Resolution Required?     Yes     No

Tier Designation:     1     2     3

Requested effective date: January 1, 2012

No. of tariff sheets: 2

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

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 proposed<sup>1</sup>: 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**

<sup>1</sup> Discuss in AL if more space is needed.

**ATTACHMENT A**

**Advice No. 4321**

**(See Attached Service List)**

ATTACHMENT B  
Advice No. 4321

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 47868-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 46813-G
Revised 47869-G	TABLE OF CONTENTS	Revised 47848-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 22% beginning January 1, 2012, 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. 4321  
DECISION NO. 87-09-026 & 87-12-028

ISSUED BY  
**Lee Schavrien**  
Senior Vice President

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Jan 6, 2012  
EFFECTIVE Jan 1, 2012  
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. 4321  
 DECISION NO. 87-09-026 & 87-12-028

ISSUED BY  
**Lee Schavrien**  
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)  
 DATE FILED Jan 6, 2012  
 EFFECTIVE Jan 1, 2012  
 RESOLUTION NO. \_\_\_\_\_

**ATTACHMENT C**

**Advice No. 4321**

**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. 4321**

**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  
Including 50% Bonus Depreciation**

(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	1,000	3.334%	8.840%	2.9473	51.875%	35.00%	181.5625	253.8902	346.1451	17.000%	58.8447	0.8929	52.5424
2	(31)		6.445%		5.6974	3.610%		11.6035	205.6494	229.7698	17.000%	39.0609	0.7972	31.1391
3			6.016%		5.3181	3.339%		9.6924	190.6388	198.1441	17.000%	33.6845	0.7118	23.9760
4			5.615%		4.9637	3.089%		8.9501	176.7251	183.6819	17.000%	31.2259	0.6355	19.8446
5			5.241%		4.6330	2.857%		8.2622	163.8298	170.2774	17.000%	28.9472	0.5674	16.4254
6			4.892%		4.3245	2.643%		7.6289	151.8764	157.8531	17.000%	26.8350	0.5066	13.5954
7			4.566%		4.0363	2.444%		7.0404	140.7996	146.3380	17.000%	24.8775	0.4523	11.2533
8			4.261%		3.7667	2.261%		6.5008	130.5321	135.6659	17.000%	23.0632	0.4039	9.3148
9			3.977%		3.5157	2.231%		6.4901	120.5264	125.5292	17.000%	21.3400	0.3606	7.6954
10			3.712%		3.2814	2.231%		6.5780	110.6669	115.5966	17.000%	19.6514	0.3220	6.3272
11			3.465%		3.0631	2.231%		6.6600	100.9439	105.8054	17.000%	17.9869	0.2875	5.1708
12			3.234%		2.8589	2.231%		6.7364	91.3486	96.1463	17.000%	16.3449	0.2567	4.1953
13			3.018%		2.6679	2.231%		6.8079	81.8728	86.6107	17.000%	14.7238	0.2292	3.3743
14			2.817%		2.4902	2.231%		6.8747	72.5079	77.1904	17.000%	13.1224	0.2046	2.6851
15			2.630%		2.3249	2.231%		6.9369	63.2461	67.8770	17.000%	11.5391	0.1827	2.1082
16			2.455%		2.1702	2.231%		6.9948	54.0810	58.6636	17.000%	9.9728	0.1631	1.6268
17			2.367%		2.0924	2.231%		7.0489	44.9397	49.5104	17.000%	8.4168	0.1456	1.2259
18			2.367%		2.0924	2.231%		7.0762	35.7711	40.3554	17.000%	6.8604	0.1300	0.8921
19			2.367%		2.0924	2.231%		7.0762	26.6025	31.1868	17.000%	5.3018	0.1161	0.6156
20			2.367%		2.0924	2.231%		7.0762	17.4338	22.0181	17.000%	3.7431	0.1037	0.3880
21			2.367%		2.0924	1.116%		3.1737	12.1677	14.8008	17.000%	2.5161	0.0926	0.2329
22			2.367%		2.0924			(0.7323)	10.8076	11.4876	17.000%	1.9529	0.0826	0.1614
23			2.367%		2.0924			(0.7323)	9.4475	10.1275	17.000%	1.7217	0.0738	0.1270
24			2.367%		2.0924			(0.7323)	8.0873	8.7674	17.000%	1.4905	0.0659	0.0982
25			2.367%		2.0924			(0.7323)	6.7272	7.4073	17.000%	1.2592	0.0588	0.0741
26			2.367%		2.0924			(0.7323)	5.3671	6.0471	17.000%	1.0280	0.0525	0.0540
27			2.367%		2.0924			(0.7323)	4.0069	4.6870	17.000%	0.7968	0.0469	0.0374
28			2.367%		2.0924			(0.7323)	2.6468	3.3269	17.000%	0.5656	0.0419	0.0237
29			2.367%		2.0924			(0.7323)	1.2867	1.9667	17.000%	0.3343	0.0374	0.0125
30			2.367%		2.0924			(0.7323)	(0.0734)	0.6066	17.000%	0.1031	0.0334	0.0034
31			1.184%		1.0467			(0.7323)	(0.3878)	(0.2306)	17.000%	(0.0392)	0.0298	-0.0012
32					0.0000			(0.3663)	(0.0215)	(0.2047)	17.000%	(0.0348)	0.0266	-0.0009
			<u>100.000%</u>		<u>88.4000</u>	<u>100.0%</u>		<u>319.0815</u>				<u>427.2365</u>		<u>215.2183</u>
												215.2183	/ 1000	<u>21.5200%</u>
	<u>407.46</u>							<u>407.4815</u>				Tax Gross up Factor		<u>22.0000%</u>