

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 17, 2012

Advice Letter 4414

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

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

Dear Ms. Prince:

Advice Letter 4414 is effective January 1, 2013.

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
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RPrince@semprautilities.com

October 19, 2012

Advice No. 4414
(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 the expiring Federal business provisions of the Internal Revenue Code (IRC), set forth in Section 168(k). The provision providing an additional depreciation allowance will expire on December 31, 2012. Therefore, SoCalGas' tax factor will increase beginning January 1, 2013. A copy of the Section 168(k) of the IRC is included herein as Attachment C.

Tariff Revisions

SoCalGas hereby revises Preliminary Statement, Part IV, to reflect an increase in the tax factor from 22% to 35%, 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.

This filing will not increase or decrease any rate or charge conflict with any schedules or rules, or cause the withdrawal of service.

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 November 8, 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 the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). 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 made effective January 1, 2013, the date on which the additional allowances will expire, as set forth in Section 168(k) of the IRC.

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) #: 4414

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

Keywords (choose from CPUC listing): Preliminary Statement

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 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: January 1, 2013

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 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
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West Fifth Street, GT14D6
Los Angeles, CA 90013-1011
snewsom@semprautilities.com
tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4414

(See Attached Service List)

ATTACHMENT B
Advice No. 4414

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 48493-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 47868-G
Revised 48494-G	TABLE OF CONTENTS	Revised 48486-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 35% beginning January 1, 2013, 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. 4414
DECISION NO. 87-09-026 & 87-12-028

ISSUED BY
Lee Schavrien
Senior Vice President

(TO BE INSERTED BY CAL. PUC)
DATE FILED Oct 19, 2012
EFFECTIVE Jan 1, 2013
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. 4414
 DECISION NO. 87-09-026 & 87-12-028

ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Oct 19, 2012
 EFFECTIVE Jan 1, 2013
 RESOLUTION NO. _____

ATTACHMENT C

Advice No. 4414

**Internal Revenue Code
Section 168 (k)**

INTERNAL REVENUE CODE

§ 168 Accelerated cost recovery system.

(k) Special allowance for certain property acquired after December 31, 2007, and before January 1, 2013.

(1) Additional allowance.

In the case of any qualified property—

- (A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 50 percent of the adjusted basis of the qualified property, and
- (B) the adjusted basis of the qualified property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

(2) Qualified property.

For purposes of this subsection—

(A) In general. The term “qualified property” means property—

- (i)
 - (I) to which this section applies which has a recovery period of 20 years or less,
 - (II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection,
 - (III) which is water utility property, or
 - (IV) which is qualified leasehold improvement property,
- (ii) the original use of which commences with the taxpayer after December 31, 2007,
- (iii) which is—
 - (I) acquired by the taxpayer after December 31, 2007, and before January 1, 2013, but only if no written binding contract for the acquisition was in effect before January 1, 2008, or
 - (II) acquired by the taxpayer pursuant to a written binding contract which was entered into after December 31, 2007, and before January 1, 2013, and
- (iv) which is placed in service by the taxpayer before January 1, 2013, or, in the case of property described in subparagraph (B) or (C) , before January 1, 2014.

(B) Certain property having longer production periods treated as qualified property.

- (i) In general. The term “qualified property” includes any property if such property—
 - (I) meets the requirements of clauses (i) , (ii), (iii) , and (iv) of subparagraph (A) ,
 - (II) has a recovery period of at least 10 years or is transportation property,
 - (III) is subject to section 263A, and (IV) meets the requirements of clause (iii) of section 263A(f)(1)(B) (determined as if such clauses also apply to property which has a long useful life (within the meaning of section 263A(f))).

- (ii) Only pre-January 1, 2013 basis eligible for additional allowance. In the case of property which is qualified property solely by reason of clause (i) , paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before January 1, 2013.
- (iii) Transportation property. For purposes of this subparagraph, the term “transportation property” means tangible personal property used in the trade or business of transporting persons or property.
- (iv) Application of subparagraph. This subparagraph shall not apply to any property which is described in subparagraph (C) .
- (C) Certain aircraft. The term “qualified property” includes property—
 - (i) which meets the requirements of clauses (ii) , (iii), and (iv) of subparagraph (A),
 - (ii) which is an aircraft which is not a transportation property (as defined in subparagraph (B)(iii)) other than for agricultural or firefighting purposes,
 - (iii) which is purchased and on which such purchaser, at the time of the contract for purchase, has made a nonrefundable deposit of the lesser of—
 - (I) 10 percent of the cost, or
 - (II) \$100,000, and
 - (iv) which has—
 - (I) an estimated production period exceeding 4 months, and
 - (II) a cost exceeding \$200,000.
- (D) Exceptions.
 - (i) Alternative depreciation property. The term “qualified property” shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—
 - (I) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and
 - (II) after application of section 280F(b) (relating to listed property with limited business use).
 - (ii) Qualified New York Liberty Zone leasehold improvement property. The term “qualified property” shall not include any qualified New York Liberty Zone leasehold improvement property (as defined in section 1400L(c)(2)).
 - (iii) Election out. If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.
- (E) Special rules.
 - (i) Self-constructed property. In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer's own use, the requirements of clause (iii) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after December 31, 2007, and before January 1, 2013.
 - (ii) Sale-leasebacks. For purposes of clause (iii) and subparagraph (A)(ii) , if property is—
 - (I) originally placed in service after December 31, 2007, by a person, and
 - (II) sold and leased back by such person within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

- (iii) Syndication. For purposes of subparagraph (A)(ii) , if—
 - (I) property is originally placed in service after December 31, 2007, by the lessor of such property,
 - (II) such property is sold by such lessor or any subsequent purchaser within 3 months after the date such property was originally placed in service (or, in the case of multiple units of property subject to the same lease, within 3 months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and
 - (III) the user of such property after the last sale during such 3-month period remains the same as when such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date of such last sale.
- (iv) Limitations related to users and related parties. The term “qualified property” shall not include any property if—
 - (I) the user of such property (as of the date on which such property is originally placed in service) or a person which is related (within the meaning of section 267(b) or 707(b)) to such user or to the taxpayer had a written binding contract in effect for the acquisition of such property at any time on or before December 31, 2007, or
 - (II) in the case of property manufactured, constructed, or produced for such user's or person's own use, the manufacture, construction, or production of such property began at any time on or before December 31, 2007.
- (F) Coordination with section 280F. For purposes of section 280F —
 - (i) Automobiles. In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$8,000.
 - (ii) Listed property. The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2) .
- (G) Deduction allowed in computing minimum tax. For purposes of determining alternative minimum taxable income under section 55, the deduction under subsection (a) for qualified property shall be determined under this section without regard to any adjustment under section 56.
- (3) Qualified leasehold improvement property.

For purposes of this subsection—

 - (A) In general. The term “qualified leasehold improvement property” means any improvement to an interior portion of a building which is nonresidential real property if—
 - (i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—
 - (I) by the lessee (or any sublessee) of such portion, or
 - (II) by the lessor of such portion,
 - (ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and
 - (iii) such improvement is placed in service more than 3 years after the date the building was first placed in service.
 - (B) Certain improvements not included. Such term shall not include any improvement for which the expenditure is attributable to—

- (i) the enlargement of the building,
 - (ii) any elevator or escalator,
 - (iii) any structural component benefiting a common area, and
 - (iv) the internal structural framework of the building.
- (C) Definitions and special rules. For purposes of this paragraph—
- (i) Commitment to lease treated as lease. A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.
 - (ii) Related persons. A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term “related persons” means—
 - (I) members of an affiliated group (as defined in section 1504), and
 - (II) persons having a relationship described in subsection (b) of section 267 ; except that, for purposes of this clause, the phrase “80 percent or more” shall be substituted for the phrase “more than 50 percent” each place it appears in such subsection .
- (4) Election to accelerate the AMT and research credits in lieu of bonus depreciation.
- (A) In general. If a corporation elects to have this paragraph apply for the first taxable year of the taxpayer ending after March 31, 2008, in the case of such taxable year and each subsequent taxable year—
- (i) paragraph (1) shall not apply to any eligible qualified property placed in service by the taxpayer,
 - (ii) the applicable depreciation method used under this section with respect to such property shall be the straight line method, and
 - (iii) each of the limitations described in subparagraph (B) for any such taxable year shall be increased by the bonus depreciation amount which is—
 - (I) determined for such taxable year under subparagraph (C) , and
 - (II) allocated to such limitation under subparagraph (E) .
- (B) Limitations to be increased. The limitations described in this subparagraph are—
- (i) the limitation imposed by section 38(c), and
 - (ii) the limitation imposed by section 53(c).
- (C) Bonus depreciation amount. For purposes of this paragraph —
- (i) In general. The bonus depreciation amount for any taxable year is an amount equal to 20 percent of the excess (if any) of—
 - (I) the aggregate amount of depreciation which would be allowed under this section for eligible qualified property placed in service by the taxpayer during such taxable year if paragraph (1) applied to all such property, over
 - (II) the aggregate amount of depreciation which would be allowed under this section for eligible qualified property placed in service by the taxpayer during such taxable year if paragraph (1) did not apply to any such property. The aggregate amounts determined under subclauses (I) and (II) shall be determined without regard to any election made under subsection (b)(2)(C), (b)(3)(D) , or (g)(7) and without regard to subparagraph (A)(ii) .
 - (ii) Maximum amount. The bonus depreciation amount for any taxable year shall not exceed the maximum increase amount under clause (iii), reduced (but not below zero) by the sum of the bonus depreciation amounts for all preceding taxable years.

- (iii) Maximum increase amount. For purposes of clause (ii) , the term “maximum increase amount” means, with respect to any corporation, the lesser of—
 - (I) \$30,000,000, or
 - (II) 6 percent of the sum of the business credit increase amount, and the AMT credit increase amount, determined with respect to such corporation under subparagraph (E).
- (iv) Aggregation rule. All corporations which are treated as a single employer under section 52(a) shall be treated—
 - (I) as 1 taxpayer for purposes of this paragraph , and
 - (II) as having elected the application of this paragraph if any such corporation so elects.
- (D) Eligible qualified property. For purposes of this paragraph, the term “eligible qualified property” means qualified property under paragraph (2), except that in applying paragraph (2) for purposes of this paragraph—
 - (i) “March 31, 2008” shall be substituted for “December 31, 2007” each place it appears in subparagraph (A) and clauses (i) and (ii) of subparagraph (E) thereof,
 - (ii) “April 1, 2008” shall be substituted for “January 1, 2008” in subparagraph (A)(iii)(I) thereof, and
 - (iii) only adjusted basis attributable to manufacture, construction, 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 .
 - (iv) Repealed.
 - (v) Repealed.
- (E) Allocation of bonus depreciation amounts.
 - (i) In general. Subject to clauses (ii) and (iii), the taxpayer shall, at such time and in such manner as the Secretary may prescribe, specify the portion (if any) of the bonus depreciation amount for the taxable year which is to be allocated to each of the limitations described in subparagraph (B) for such taxable year.
 - (ii) Limitation on allocations. The portion of the bonus depreciation amount which may be allocated under clause (i) to the limitations described in subparagraph (B) for any taxable year shall not exceed—
 - (I) in the case of the limitation described in subparagraph (B)(i) , the excess of the business credit increase amount over the bonus depreciation amount allocated to such limitation for all preceding taxable years, and
 - (II) in the case of the limitation described in subparagraph (B)(ii) , the excess of the AMT credit increase amount over the bonus depreciation amount allocated to such limitation for all preceding taxable years.
 - (iii) Business credit increase amount. For purposes of this paragraph , the term “business credit increase amount” means the amount equal to the portion of the credit allowable under section 38 (determined without regard to subsection (c) thereof) for the first taxable year ending after March 31, 2008, which is allocable to business credit carryforwards to such taxable year which are—
 - (I) from taxable years beginning before January 1, 2006, and

- (II) properly allocable (determined under the rules of section 38(d)) to the research credit determined under section 41(a).
- (iv) AMT credit increase amount. For purposes of this paragraph , the term “AMT credit increase amount” means the amount equal to the portion of the minimum tax credit under section 53(b) for the first taxable year ending after March 31, 2008, determined by taking into account only the adjusted minimum tax for taxable years beginning before January 1, 2006. For purposes of the preceding sentence, credits shall be treated as allowed on a first-in, first-out basis.
- (F) Credit refundable. For purposes of section 6401(b), the aggregate increase in the credits allowable under part IV of subchapter A for any taxable year resulting from the application of this paragraph shall be treated as allowed under subpart C of such part (and not any other subpart).
- (G) Other rules.
 - (i) Election. Any election under this paragraph (including any allocation under subparagraph (E)) may be revoked only with the consent of the Secretary.
 - (ii) Partnerships with electing partners. In the case of a corporation making an election under subparagraph (A) and which is a partner in a partnership, for purposes of determining such corporation's distributive share of partnership items under section 702 —
 - (I) paragraph (1) shall not apply to any eligible qualified property, and
 - (II) the applicable depreciation method used under this section with respect to such property shall be the straight line method.
 - (iii) Special rule for passenger aircraft. In the case of any passenger aircraft, the written binding contract limitation under paragraph (2)(A)(iii)(I) shall not apply for purposes of subparagraphs (C)(i)(I) and (D).
- (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).

- (l) 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 tax payer 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).
- (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”.

ATTACHMENT D

Advice No. 4414

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) TAX PMT/(BEN) REFLECTING CIAC	(C) TAX BASIS	(D) CALIFORNIA DEPRECIATION RATES	(E) CALIFORNIA RATES	(F) STATE TAX BENEFIT	(G) MODIFIED MACRS RATES	(H) FEDERAL TAX RATE	(I) FEDERAL TAX BENEFIT	(J) REMAINING CIAC PAYABLE	(K) WTD. AVG. UNRECOVERED TAX PMT.	(L) RATE OF RETURN	(M) REVENUE REQUIREMENT ON REMAINING INVESTMENT	(N) DISCOUNT FACTOR 0.12	(O) DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT
1	438.4	1,000	3.334%	8.840%	2.9473	3.750%	35.00%	13.1250	422.3277	430.3639	17.000%	73.1619	0.8929	65.3263
2	-30.94		6.445%		5.6974	7.220%		24.2385	361.4519	391.8898	17.000%	66.6213	0.7972	53.1101
3			6.016%		5.3181	6.680%		21.3859	334.7478	348.0998	17.000%	59.1770	0.7118	42.1210
4			5.615%		4.9637	6.180%		19.7686	310.0156	322.3817	17.000%	54.8049	0.6355	34.8295
5			5.241%		4.6330	5.710%		18.2477	287.1348	298.5752	17.000%	50.7578	0.5674	28.8013
6			4.892%		4.3245	5.290%		16.8934	265.9169	276.5259	17.000%	47.0094	0.5066	23.8164
7			4.566%		4.0363	4.890%		15.6014	246.2791	256.0980	17.000%	43.5367	0.4523	19.6938
8			4.261%		3.7667	4.520%		14.4073	228.1051	237.1921	17.000%	40.3227	0.4039	16.2857
9			3.977%		3.5157	4.460%		14.2916	210.2979	219.2015	17.000%	37.2643	0.3606	13.4379
10			3.712%		3.2814	4.460%		14.3795	192.6369	201.4674	17.000%	34.2495	0.3220	11.0274
11			3.465%		3.0631	4.460%		14.4615	175.1124	183.8747	17.000%	31.2587	0.2875	8.9861
12			3.234%		2.8589	4.460%		14.5379	157.7156	166.4140	17.000%	28.2904	0.2567	7.2614
13			3.018%		2.6679	4.460%		14.6094	140.4383	149.0770	17.000%	25.3431	0.2292	5.8080
14			2.817%		2.4902	4.460%		14.6762	123.2719	131.8551	17.000%	22.4154	0.2046	4.5866
15			2.630%		2.3249	4.460%		14.7384	106.2086	114.7402	17.000%	19.5058	0.1827	3.5636
16			2.455%		2.1702	4.460%		14.7963	89.2420	97.7253	17.000%	16.6133	0.1631	2.7100
17			2.367%		2.0924	4.460%		14.8504	72.2992	80.7706	17.000%	13.7310	0.1456	1.9998
18			2.367%		2.0924	4.460%		14.8777	55.3291	63.8142	17.000%	10.8484	0.1300	1.4107
19			2.367%		2.0924	4.460%		14.8777	38.3590	46.8440	17.000%	7.9635	0.1161	0.9246
20			2.367%		2.0924	4.460%		14.8777	21.3888	29.8739	17.000%	5.0786	0.1037	0.5265
21			2.367%		2.0924	2.230%		7.0727	12.2237	16.8063	17.000%	2.8571	0.0926	0.2645
22			2.367%		2.0924			(0.7323)	10.8636	11.5436	17.000%	1.9624	0.0826	0.1622
23			2.367%		2.0924			(0.7323)	9.5035	10.1835	17.000%	1.7312	0.0738	0.1277
24			2.367%		2.0924			(0.7323)	8.1433	8.8234	17.000%	1.5000	0.0659	0.0988
25			2.367%		2.0924			(0.7323)	6.7832	7.4633	17.000%	1.2688	0.0588	0.0746
26			2.367%		2.0924			(0.7323)	5.4231	6.1031	17.000%	1.0375	0.0525	0.0545
27			2.367%		2.0924			(0.7323)	4.0629	4.7430	17.000%	0.8063	0.0469	0.0378
28			2.367%		2.0924			(0.7323)	2.7028	3.3829	17.000%	0.5751	0.0419	0.0241
29			2.367%		2.0924			(0.7323)	1.3427	2.0227	17.000%	0.3439	0.0374	0.0129
30			2.367%		2.0924			(0.7323)	(0.0174)	0.6626	17.000%	0.1126	0.0334	0.0038
31			1.184%		1.0467			(0.7323)	(0.3318)	(0.1746)	17.000%	(0.0297)	0.0298	-0.0009
32					0.0000			(0.3663)	0.0345	(0.1487)	17.000%	(0.0253)	0.0266	-0.0007
			<u>100.000%</u>		<u>88.4000</u>	<u>99.990%</u>		<u>319.0255</u>				<u>700.0936</u>		<u>347.0862</u>
												347.0862	/ 1000	<u>34.7100%</u>
	<u>407.46</u>							<u>407.4255</u>				ITCCA Rate		<u>35.0000%</u>