

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 6, 2013

Advice Letter 4446-G

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

SUBJECT: Reduction of the Income Tax Component of Contributions and Advances for Construction

Dear Ms. Prince:

Advice Letter 4446-G is effective as of 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
Fax: 213.244.4957
RPrince@semprautilities.com

January 4, 2013

Advice No. 4446
(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.

In anticipation of the Federal business provisions of the Internal Revenue Code, set forth in Section 168(k) expiring on December 31, 2012, SoCalGas filed Advice No. 4414 on October 19, 2012, which was approved on December 17, 2012 and effective January 1, 2013, increasing the tax factor from 22% to 35%. Subsequently, on January 2, 2013, the President signed H.R. 8, the American Taxpayer Relief Act of 2012, with Section 331 of H.R. 8 allowing for the extension of 50% bonus depreciation to tax year 2013, with the result that the 2013 tax factor can remain at its 2012 level. A copy of this provision is included herein as Attachment C.

Accordingly, SoCalGas' tax factor will revert back to its 2012 level, retroactive to January 1, 2013. This provision, which will expire on December 31, 2013, provides an additional depreciation allowance.

Tariff Revisions

By this filing, SoCalGas hereby revises Preliminary Statement, Part IV, to reflect a decrease in the tax factor from 35% to 22%, 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, 2014, the additional depreciation allowance is no longer allowed and property contributed to SoCalGas after December 31, 2013 will be subject to the authorized tax factor of 35%.

This filing will not increase 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 January 24, 2013. 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 on January 4, 2013, which is the date filed; be effective on January 1, 2013, which is the effective date in which the additional depreciation allowance was extended by the American Taxpayer Relief Act of 2012; 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) #: 4446

Subject of AL: Reduction 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. 4446

(See Attached Service List)

ATTACHMENT B
Advice No. 4446

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 48774-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 48493-G
Revised 48775-G	TABLE OF CONTENTS	Revised 48773-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, 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. 4446
DECISION NO. 87-09-026 & 87-12-028

ISSUED BY
Lee Schavrien
Senior Vice President

(TO BE INSERTED BY CAL. PUC)
DATE FILED Jan 4, 2013
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. 4446
 DECISION NO. 87-09-026 & 87-12-028

ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jan 4, 2013
 EFFECTIVE Jan 1, 2013
 RESOLUTION NO. _____

ATTACHMENT C

Advice No. 4446

**American Taxpayer Relief
Act of 2012 (H.R. 8)
Section 331**

AMERICAN TAXPAYER RELIEF ACT OF 2012 (H.R 8)

SEC. 331. EXTENSION AND MODIFICATION OF BONUS DEPRECIATION.

(a) IN GENERAL.—Paragraph (2) of section 168(k) is amended—

(1) by striking “January 1, 2014” in subparagraph (A)(iv) and inserting “January 1, 2015”, and

(2) by striking “January 1, 2013” each place it appears and inserting “January 1, 2014”.

(b) SPECIAL RULE FOR FEDERAL LONG-TERM CONTRACTS.— Clause (ii) of section 460(c)(6)(B) is amended by inserting “, or after December 31, 2012, and before January 1, 2014 (January 1, 2015, in the case of property described in section 168(k)(2)(B))” before the period.

(c) EXTENSION OF ELECTION TO ACCELERATE THE AMT CREDIT IN LIEU OF BONUS DEPRECIATION.—

(1) IN GENERAL.—Subclause (II) of section 168(k)(4)(D)(iii) is amended by striking “2013” and inserting “2014”.

(2) ROUND 3 EXTENSION PROPERTY.—Paragraph (4) of section 168(k) is amended by adding at the end the following new subparagraph:

“(J) SPECIAL RULES FOR ROUND 3 EXTENSION PROPERTY.—

“(i) IN GENERAL.—In the case of round 3 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, a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008, or a taxpayer who made the election under subparagraph (I)(iii) for its first taxable year ending after December 31, 2010—

“(I) the taxpayer may elect not to have this paragraph apply to round 3 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 3 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 3 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, nor made the election under subparagraph (I)(iii) for any taxable year ending after December 31, 2010—

“(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2012, 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 3 extension property.

“(iv) ROUND 3 EXTENSION PROPERTY.—For purposes of this subparagraph, the term ‘round 3 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 331(a) of the American Taxpayer Relief Act of 2012 (and the application of such extension to this paragraph pursuant to the amendment made by section 331(c)(1) of such Act).”.

(d) NORMALIZATION RULES AMENDMENT.—Clause (ii) of section 168(i)(9)(A) is amended by inserting “(respecting all elections made by the taxpayer under this section)” after “such property”.

(e) CONFORMING AMENDMENTS.—

(1) The heading for subsection (k) of section 168 is amended by striking “JANUARY 1, 2013” and inserting “JANUARY 1, 2014”.

(2) The heading for clause (ii) of section 168(k)(2)(B) is amended by striking “PRE-JANUARY 1, 2013” and inserting “PREJANUARY 1, 2014”.

(3) Subparagraph (C) of section 168(n)(2) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(4) Subparagraph (D) of section 1400L(b)(2) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(5) Subparagraph (B) of section 1400N(d)(3) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2012, in taxable years ending after such date.

ATTACHMENT D

Advice No. 4446

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	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	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
			100.000%		88.4000	100.0%		319.0815				427.2365		215.2183
								407.4815				215.2183	/ 1000	21.5200%
	407.46											Tax Gross up Factor		22.0000%