December 18, 2013

Advice Letter 4565-G

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 4565-G is effective January 1, 2014.

Sincerely,

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

November 22, 2013

Advice No. 4565
(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 provisions set forth in H.R. 8, The American Tax payer Relief Act of 2012, Section 331. The provision providing an additional depreciation allowance will expire on December 31, 2013. Therefore, SoCalGas' tax factor will increase beginning January 1, 2014. A copy of the Section 331 of H.R. 8 is included herein as Attachment C.

Tariff Revisions

By this filing, 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 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. Property contributed to or Contributions to SoCalGas on or after January 1, 2014 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 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 December 12, 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 and made effective on January 1, 2014, the date on which the additional depreciation allowance will expire, as set forth Section 331 of H.R. 8.

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:	Contact Person: Sid Newsom
☐ ELC ☒ GAS	Phone #: (213) 244-2846
☐ PLC ☐ HEAT ☐ WATER	E-mail: snewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric　　　GAS = Gas PLC = Pipeline　　HEAT = Heat　　WATER = Water	

Advice Letter (AL) #:　4565

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 AL[1]:　　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, 2014　　　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[1]:　　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	Southern California Gas Company
Attention: Tariff Unit	Attention: Sid Newsom
505 Van Ness Ave.	555 West Fifth Street, GT14D6
San Francisco, CA 94102	Los Angeles, CA 90013-1011
EDTariffUnit@cpuc.ca.gov	snewsom@semprautilities.com
	tariffs@socalgas.com

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[1] Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4565

(See Attached Service List)

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 49749-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 48774-G
Revised 49750-G	TABLE OF CONTENTS	Revised 49748-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, 2014, and thereafter.   I,T

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)	ISSUED BY	(TO BE INSERTED BY CAL. PUC)
ADVICE LETTER NO. 4565	**Lee Schavrien**	DATE FILED Nov 22, 2013
DECISION NO. 87-09-026 & 87-12-028	Senior Vice President	EFFECTIVE Jan 1, 2014
1H7		RESOLUTION NO.

TABLE OF CONTENTS

The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

(Continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY CAL. PUC)
ADVICE LETTER NO. 4565	**Lee Schavrien**	DATE FILED Nov 22, 2013
DECISION NO. 87-09-026 & 87-12-028	Senior Vice President	EFFECTIVE Jan 1, 2014
1H5		RESOLUTION NO.

ATTACHMENT C

Advice No. 4565

**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. 4565

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
AS ORIGINALLY FILED

(A) YEAR	(B) TAX PMT/(BEN) REFLECTING CIAC OF $1,000	(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	348.0098	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
			100.000%		88.4000	99.990%		319.0255				700.0936		347.0862
												347.0862	/ 1000	34.7100%
	407.46							407.4255						35.0000%