

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 29, 2015

Advice Letter 4735

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

**Subject: Revision of the Income Tax Component of Contributions and
Advances for Construction (ITCCA) and Request for Authority
to Issue Refunds for Retroactive Changes to the ITCCA for 2014**

Dear Ms. Prince:

Advice Letter 4735 is effective January 1, 2014.

Sincerely,

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

Edward 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

December 31, 2014

Advice No. 4735
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revision of the Income Tax Component of Contributions and Advances for Construction (ITCCA) and Request for Authority to Issue Refunds for Retroactive Changes to the ITCCA for 2014

Southern California Gas Company (SoCalGas) hereby submits revisions to its Preliminary Statement, Part IV, Income Tax Component of Contributions and Advances for Construction to reflect recent legislation retroactively changing the tax factor used to compute the ITCCA for 2014 applicable throughout its service territory, as shown on Attachment A.

Purpose

SoCalGas hereby notifies the California Public Utilities Commission (Commission) that the ITCCA tax factor for customers who make or have made payments in 2014 should be retroactively revised from 35% to 22% for the time period of January 1, 2014 to December 31, 2014 due to a recent legislation described below. SoCalGas will issue refunds for the difference in the ITCCA tax factor to customers that have paid the 35% tax factor during this time frame. The recent legislation does not apply to the ITCCA tax factor for 2015, so the ITCCA tax factor for 2015 will remain as 35%, as currently provided in the tariffs.

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 Decision (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 was revised to reflect the expiring provisions set forth in H.R. 8, The American Taxpayer Relief Act of 2012, Section 331, which temporarily extended the Federal Depreciation Provisions of the Internal Revenue Code (IRC) tax factor of 22% through December 31, 2013. Since the tax factor of 22% expired on December 31, 2013, SoCalGas filed Advice No. 4565 on November 22, 2013, to revert the tax factor back to 35% beginning January 1, 2014.

On December 19, 2014, President Obama signed into law legislation H.R. 5771, the Tax Increase Prevention Act of 2014 (Act) which extends through 2014 a number of temporary tax incentives that had lapsed at the close of 2013. The Act retroactively extended the Federal Depreciation Provisions of the IRC tax factor of 22% through December 31, 2014. As such, the ITCC tax factor will revert to 35% for contributions received on and after January 1, 2015 (the rate currently in Preliminary Statement Part IV).

To support the retroactive tax factors, SoCalGas includes, as Attachment B, the calculation set forth in Method 5, as described in D.87-09-026 and D. 87-12-028. In addition, a copy of the Act (Section 125) is included as Attachment C.

Tariff Revisions

By this filing, SoCalGas hereby revises Preliminary Statement, Part IV, to provide a footnote to denote the 22% tax factor and the applicable time period for which it applies. However, since the temporary extension expires on December 31, 2014, the 35% tax factor currently referenced in SoCalGas' tariffs shall continue to apply and be applicable to contributions received on or after January 1, 2015.

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 20, 2015. 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 is extended, as set forth Section 125 of H.R. 5771.

Notice

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list. Address change requests to the GO 96-B should be directed by electronic mail to tariffs@socalgas.com or call 213-244-3387.

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) #: 4735

Subject of AL: Revision of the Income Tax Component of Contributions and Advances for Construction (ITCCA) and Request for Authority to Issue Refunds for Retroactive Changes to the ITCCA for 2014

Keywords (choose from CPUC listing): Preliminary Statement

AL filing type: Monthly Quarterly Annual One-Time Other Periodic

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, 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 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. 4735

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 51095-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 49749-G
Revised 51096-G	TABLE OF CONTENTS	Revised 51094-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, 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, 2015, and thereafter.¹

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.

¹Pursuant to the Tax Increase Prevention Act of 2014 which retroactively extended the Federal Depreciation Provisions of the Internal Revenue Code through December 31, 2014, the Tax Factor of 22% is applicable to contributions received by SoCalGas between January 1, 2014 and December 31, 2014.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4735
DECISION NO.

ISSUED BY
Lee Schavrien
Senior Vice President

(TO BE INSERTED BY CAL. PUC)
DATE FILED Dec 31, 2014
EFFECTIVE Jan 1, 2014
RESOLUTION NO. _____

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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.

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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4735
 DECISION NO.

ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 31, 2014
 EFFECTIVE Jan 1, 2014
 RESOLUTION NO. _____

ATTACHMENT B

Advice No. 4735

Tax Factor Calculation Using Method 5

Adopted by D.87-09-026 and D.87-12-028

ATTACHMENT C

Advice No. 4735

**Tax Increase Prevention Act of 2014
(H.R. 5771)
Section 125**

TAX INCREASE PREVENTION ACT OF 2014 (H.R. 5771)

SEC. 125. EXTENSION OF BONUS DEPRECIATION.

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

- (1) by striking “January 1, 2015” in subparagraph (A)(iv) and inserting “January 1, 2016”, and
- (2) by striking “January 1, 2014” each place it appears and inserting “January 1, 2015”.

(b) SPECIAL RULE FOR FEDERAL LONG-TERM CONTRACTS.—

Clause (ii) of section 460(c)(6)(B) is amended by striking “January 1, 2014 (January 1, 2015” and inserting “January 1, 2015 (January 1, 2016”.

(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 “January 1, 2014” and inserting “January 1, 2015”.

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

“(K) SPECIAL RULES FOR ROUND 4 EXTENSION PROPERTY.—

“(i) IN GENERAL.—In the case of round 4 extension property, in applying this paragraph to any taxpayer—

“(I) the limitation described in subparagraph

(B)(i) and the business credit increase amount under subparagraph (E)(iii) thereof shall not apply, and

“(II) the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed separately from amounts computed with respect to eligible qualified property which is not round 4 extension property.

“(ii) ELECTION.—

“(I) A taxpayer who has an election in effect under this paragraph for round 3 extension property shall be treated as having an election in effect for round 4 extension property unless the taxpayer elects to not have this paragraph apply to round 4 extension property.

“(II) A taxpayer who does not have an election in effect under this paragraph for round 3 extension property may elect to have this paragraph apply to round 4 extension property.

“(iii) ROUND 4 EXTENSION PROPERTY.—For purposes of this subparagraph, the term ‘round 4 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 125(a) of the Tax Increase Prevention Act of 2014 (and the application of such extension to this paragraph pursuant to the amendment made by section 125(c) of such Act).”.

(d) CONFORMING AMENDMENTS.—

(1) The heading for subsection (k) of section 168 is amended by striking “JANUARY 1, 2014” and inserting “JANUARY 1, 2015”.

(2) The heading for clause (ii) of section 168(k)(2)(B) is amended by striking “PRE-JANUARY 1, 2014” and inserting “PREJANUARY 1, 2015”.

(3) Subparagraph (C) of section 168(n)(2) is amended by striking “January 1, 2014” and inserting “January 1, 2015”.

(4) Subparagraph (D) of section 1400L(b)(2) is amended by striking “January 1, 2014” and inserting “January 1, 2015”.

(5) Subparagraph (B) of section 1400N(d)(3) is amended by striking “January 1, 2014” and inserting “January 1, 2015”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2013, in taxable years ending after such date.