

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 5, 2015

Advice Letter 4771

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

**Subject: Establishment of Deductible Tax Repairs Benefits
Memorandum Account (DTRBMA)**

Dear Mr. Leeden:

Advice Letter 4771 is effective January 15, 2015 per Resolution G-3508.

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
Fax: 213.244.4957
RPrince@semprautilities.com

March 2, 2015

Advice No. 4771
(U 904 G)

Public Utilities Commission of the State of California

Subject: Establishment of Deductible Tax Repairs Benefits Memorandum Account (DTRBMA)

Southern California Gas Company (SoCalGas) hereby submits revisions to its tariffs, applicable throughout its service territory, as shown on Attachment A.

Purpose

In compliance with Ruling 2 of the Administrative Law Judge's (ALJ) Ruling on the "Motion of The Utility Reform Network to Establish Memorandum Accounts to Track Income Tax Differences Associated with Changes in Repair Deductions" (Motion), this filing establishes the Deductible Tax Repairs Benefits Memorandum Account (DTRBMA)¹.

Background

On January 15, 2015, the Commission adopted the December 18, 2014 Motion of The Utility Reform Network (TURN) for San Diego Gas & Electric Company (SDG&E) and SoCalGas to establish memorandum accounts to track income tax differences associated with changes in repair deductions as of January 1, 2015.

In 2012, the Internal Revenue Service (IRS) issued Revenue Procedure 2012-19 providing guidance to companies wishing to make automatic accounting method changes. SoCalGas followed the guidance in IRS Revenue Procedure 2012-19 to adopt a "facts and circumstances" method of accounting for repairs and discontinued using a percentage repair allowance method of accounting beginning with its 2012 tax

¹ Although Ruling 2 of the ALJ Ruling orders SoCalGas to establish a Repairs Deduction Memorandum Account (RDMA), SoCalGas currently uses the acronym RDMA for its existing Residential Disconnect Memorandum Account (RDMA). As a result, SoCalGas is establishing the DTRBMA instead of the Repairs Deduction Memorandum Account in order to avoid confusion in SoCalGas' preliminary statement for memorandum account names.

return. Revenue Procedure 2012-19 did not provide a “safe harbor” method of accounting for gas repairs and does not provide audit protection to companies wishing to make a change in accounting methods, but does allow companies to change from one allowable accounting method to another without prior consent from the IRS. TURN contends that, as a result of the IRS allowed change in accounting methods, there are substantial tax benefits for the repairs deduction that SDG&E and SoCalGas intend to flow through in their respective 2016 General Rate Case (GRC). TURN estimates positive revenue requirement differences between the authorized 2015 repair deductions as forecasted in the 2012 GRC proceeding using the then-forecasted percentage repair allowance accounting method, and the actual 2015 repair deductions using the new accounting methods for repairs. As such, the differences between the two accounting methods for the repair deductions will be tracked in the DTRBMA.

Establishment of the DTRBMA

Ruling 2 states:

San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas), shall each file Tier 3 Advice Letters to establish a Repairs Deduction Memorandum Account, to take effect today until a decision is adopted on the 2016 Test Year applications of SDG&E and SoCalGas, to track the difference between: the revenue requirement for each utility associated with the effect on the utility’s income tax expense (including gross-up) of using the authorized revenue requirement based on the percentage repair allowance deduction; and the revenue requirement for each utility associated with the effect on the utility’s income tax expense (including gross-up) of using the new repairs deduction accounting method as actually claimed, holding all other 2012 General Rate Case parameters equal.²

Pursuant to Ruling 2 of the ALJ Ruling, SoCalGas is establishing the DTRBMA in order to track the difference between (a) the revenue requirement associated with the effect on the utility’s income tax expense (including gross-up) of using the authorized revenue requirement based on the forecasted percentage repair allowance deduction; and (b) the revenue requirement associated with the effect on the utility’s income tax expense (including gross-up) of using the new repairs deduction accounting method as recorded for tax year 2015. The DTRBMA is effective January 15, 2015.

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 must

² 1 Administrative Law Judge’s Ruling on The Utility Reform Network’s Motion to Establish Memorandum Accounts, dated January 15, 2015, Ruling 2.

be received within 20 days of the date of this AL, which is March 22, 2015. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is given below.

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

A copy 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 should 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
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

Effective Date

Per Ruling 2 of the ALJ Ruling on the Motion, this advice letter is designated as Tier 3 pursuant to General Order (GO) 96-B and, as such, requires a Commission Resolution to approve, but the DTRBMA will be made effective January 15, 2015.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B and the parties to SoCalGas' TY 2016 GRC, A.14-11-004 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. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at process_office@cpuc.ca.gov.

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 904G)**

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) #: 4771

Subject of AL Establishment of Preliminary Statement Part VI – Memorandum Accounts, Deductible Tax Repairs Benefits Memorandum Account

Keywords (choose from CPUC listing): Balancing Account, Memorandum Account

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Not Decision/Resolution, but 1/15/15 ALJ Ruling in A.14-11-004

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: 1/15/15

No. of tariff sheets: 5

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 VI, Deductible Tax Repairs Benefits Memorandum Account, and TOC General Service affected and changes proposed¹ See Advice Letter

Pending advice letters that revise the same tariff sheets: None

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 5th 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. 4771

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 51315-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS, Sheet 1	Revised 51260-G
Original 51316-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, DEDUCTIBLE TAX REPAIRS BENEFITS MEMORANDUM ACCOUNT (DTRBMA)	
Revised 51317-G	TABLE OF CONTENTS	Revised 51314-G
Revised 51318-G	TABLE OF CONTENTS	Revised 51263-G
Revised 51319-G	TABLE OF CONTENTS	Revised 51264-G

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS

Sheet 1

A. GENERAL

Memorandum accounts are special accounts authorized by the Commission for the purpose of tracking certain costs and revenues. Please refer to each individual memorandum account description for the specific accounting treatment applicable to each account.

B. LISTING OF MEMORANDUM ACCOUNTS

PCB Expense Account (PCBEA)
Research Development and Demonstration Expense Account (RDDEA)
Curtailed Violation Penalty Account (CVPA)
Economic Practicality Shortfall Memorandum Account (EPSMA)
Catastrophic Event Memorandum Account (CEMA)
Vernon Avoided Distribution Cost Memorandum Account (VADCMA)
Vernon Negotiated Core Contract Memorandum Account (VNCCMA)
Research Royalty Memorandum Account (RRMA)
Intervenor Award Memorandum Account (IAMA)
Z Factor Account (ZFA)
Self-Generation Program Memorandum Account (SGPMA)
FERC Settlement Proceeds Memorandum Account (FSPMA)
Gain/Loss On Sale Memorandum Account (GLOSMA)
Affiliate Transfer Fee Account (ATFA)
Firm Access and Storage Rights Memorandum Account (FASRMA)
System Reliability Memorandum Account (SRMA)
Fire Hazard Prevention Memorandum Account (FHPMA)
California Solar Initiative Thermal Program Memorandum Account (CSITPMA)
Honor Rancho Storage Memorandum Account (HRSMA)
Wildfire Expense Memorandum Account (WEMA)
Natural Gas Appliance Testing Memorandum Account (NGATMA)
Energy Savings Assistance Programs Memorandum Account (ESAPMA)
General Rate Case Memorandum Account (GRCMA)
Pipeline Safety and Reliability Memorandum Account (PSRMA)
Aliso Canyon Memorandum Account (ACMA)
Energy Data Request Memorandum Account (EDRMA)
Residential Disconnect Memorandum Account (RDMA)
Greenhouse Gas Memorandum Account (GHGMA)
Deductible Tax Repairs Benefits Memorandum Account (DTRBMA)

N

(TO BE INSERTED BY UTILITY)
ADVISE LETTER NO. 4771
DECISION NO.

ISSUED BY
Lee Schavrien
Senior Vice President

(TO BE INSERTED BY CAL. PUC)
DATE FILED Mar 2, 2015
EFFECTIVE Jan 15, 2015
RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
DEDUCTIBLE TAX REPAIRS BENEFITS MEMORANDUM ACCOUNT (DTRBMA)

1. Purpose

The DTRBMA is a memorandum account that is not recorded on SoCalGas' financial statements. Pursuant to the Administrative Law Judge's (ALJ) Ruling issued on January 15, 2015 on The Utility Reform Network's Motion to Establish Memorandum Accounts, the purpose of the DTRBMA is to track the difference between the revenue requirement associated with the effect on the utility's income tax expense of using the authorized revenue requirement based on the percentage repair allowance deduction and the revenue requirement associated with the effect on the utility's income tax expense of using an alternative accounting method allowed by the IRS for computing the repairs deduction for 2015, holding all other 2012 General Rate Case parameters equal. The DTRBMA is effective January 15, 2015 consistent with the ALJ Ruling issued on January 15, 2015.

2. Applicability

The DTRBMA shall apply to gas customers except for those specifically excluded by the Commission.

3. Rates

See Disposition Section below.

4. Accounting Procedures

SoCalGas maintains this subaccount by making monthly entries, net of applicable FF&U, as follows:

- a) A debit entry equal to the revenue requirement associated with the effect on the utility's income tax expense (including gross-up) of using the authorized revenue requirement based on the percentage repair allowance deduction; and
- b) A credit entry equal to the revenue requirement associated with the effect on the utility's income tax expense (including gross-up) of using an alternative repairs deduction accounting method as recorded for tax year 2015.

5. Disposition

Disposition of the balance in the DTRBMA shall be addressed in SoCalGas' 2016 General Rate Case or other future proceeding as determined by the Commission.

(TO BE INSERTED BY UTILITY)
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Lee Schavrien
Senior Vice President

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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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