

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: JUNE 10, 2011
DATE RESPONDED: JUNE 24, 2011

1. Following up on TURN DR 1-01, please recompute the FICA tax using a wage base of \$110,700 for 2012, contained in the 2011 OASDI Trustees' Report.

SoCalGas Response:

See the schedules attached below.



TURN-SCG-DR-13
Q1A1.xls



TURN-SCG-DR-13
Q1A2.xls

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2. Following up on TURN DR 1-03, please provide SoCal's ad valorem tax rate for 2010.

SoCalGas Response:

The SoCalGas composite ad valorem tax rate for 2010 is 1.2332960%.

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3. Please provide 2010 gross receipts and franchise fees.

SoCalGas Response:

SoCalGas 2010 gross receipts were \$3,360,715,964 and franchise fees were \$47,852,335.10.

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4. Please explain (narratively and quantitatively) how SoCal the forecasts of cost of removal, percentage repair allowance, and 50% of meals and entertainment for both state and federal taxes in 2010-2012.

SoCalGas Response:

SoCalGas forecasted tax adjustments for cost of removal, percentage repair allowance, and the disallowed 50% of meals and entertainment expenditures by averaging prior years' results. A three-year average of actual 2007-2009 tax adjustments on the federal and state tax returns was used to forecast SoCalGas' 2010-2012 tax adjustments.

	<u>M&E Addback</u>	<u>COR Federal</u>	<u>COR State</u>	<u>PRA Federal</u>	<u>PRA State</u>
2007	534	6,804	15,044	13,738	40,835
2008	605	5,436	11,909	15,802	47,991
2009	<u>414</u>	<u>3,917</u>	<u>11,423</u>	<u>16,340</u>	<u>44,217</u>
AVG.	517	5,386	12,792	15,293	44,347

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5. Please provide actual 2010 cost of removal, percentage repair allowance and 50% of meals and entertainment for both state and federal taxes.

SoCalGas Response:

This information is not available since the returns for this period have not yet been filed.

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6. What is the basis for the \$797,000 in tax credits? Given that some of them are related to workers hired in enterprise zones, please explain why they are not escalated.

SoCalGas Response:

\$797,000 in tax credits reflected in the 2012 tax expense calculation is based on the actual tax credits claimed on SoCalGas' 2008 federal and state tax returns (which were the last returns filed before the forecasts were prepared). SoCalGas was allowed federal credits of \$628,444 and state credits of \$168,176, for a total of \$796,620 as shown below:

Federal

Child Care Credit	18,655
Fuel Tax Credit	335,878
Research and Development Credit	143,911
Alternative Fuel Vehicle Credit (IRC Sec. 30C)	30,000
Alternative Motor Vehicle Credit (IRC Sec. 30B)	100,000

State

Enterprise Zone Credits	<u>168,176</u>
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Total

796,620

An enterprise zone tax credit based on a portion of the wages paid to a new hire is available for hiring employees who meet one or more of the following limited criteria:

1. An employee who qualified for the former Program Area hiring credit;
2. A person receiving or eligible to receive subsidized Employment, training, or services funded by the Federal Job Training Partnership Act (JTPA), or its successor;
3. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN), or its successor;
4. An economically disadvantaged individual 14 years of age or older;
5. A qualified dislocated worker;
6. A disabled individual eligible for, enrolled in, or who has completed a state rehabilitation plan;
7. A service-connected disabled veteran;
8. A veteran of the Vietnam era;
9. A veteran who recently separated from military service;
10. An ex-offender;

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Response to Question 6 (Continued)

11. A person eligible for, or a recipient of:
 - Federal Supplemental Security Income (SSI) benefits;
 - Aid to Families with Dependent Children (AFDC);
 - Food stamps; or
 - State and local general assistance.
12. A Native American;
13. A resident of a Targeted Employment Area (TEA); or
14. For employees hired during taxable years beginning on or after 1/1/1998, a member of a targeted group as defined in the federal Work Opportunity Tax Credit (as in effect January 1, 2001, in Internal Revenue Code Section 51).

In addition, at least 90 percent of the employee's work must be directly related to a trade or business activity located in the Enterprise Zone and at least 50 percent of the employee's work must be performed inside the boundaries of the enterprise zone.

Given prior disallowances in enterprise zone tax credits claimed, SoCalGas does not forecast a test year increase in enterprise zone tax credits allowed (e.g., it is extremely difficult to demonstrate that at least 50% of new employees' work will be performed within a designated enterprise zone).

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7. Please provide actual 2010 tax credits.

SoCalGas Response:

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8. Please explain how the results of operations model calculates 2011 state income taxes for purposes of calculating the 2012 tax deduction on the federal tax return. Specifically explain what happens in the model if the Commission adjusts O&M spending in 2012 that might affect 2011 and if the Commission adjusts 2010 or 2011 capital spending.

SoCalGas Response:

State income taxes computed in the RO model are a function of taxable net income multiplied by the statutory state tax rate, less state tax credits. Taxable net income is equal to book income before taxes and depreciation plus or minus state tax adjustments (tax depreciation, cost of removal, percentage repair allowance, etc.), less an interest deduction. Therefore, if the Commission adjusts O&M spending, it will have no impact on state tax expense because both revenue and expense will move up or down by the same amount, leaving book income before taxes and depreciation unaffected. However, if the Commission adjusts 2010 or 2011 capital spending up or down, book income before depreciation and taxes will move up or down based on the movement in return on ratebase. The interest deduction will also move up or down as a function of debt return on adjusted ratebase. In addition, state tax depreciation in 2010 and 2011 will move up or down based on adjustments to capital spending, resulting in a corresponding increase or decrease to 2010 and 2011 state tax expense that will get deducted in computing 2011 and 2012 federal tax expense respectively.

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9. Following up on TURN DR 7-3, 7-4, and 7-5, please provide the information requested in those questions regarding the impact of The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 given that the previous answer did not provide that information, because “Guidance from the IRS is expected in late March 2011.”

SoCalGas Response:

SoCalGas is planning in July to serve revised testimony and workpapers that includes the impact of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 and which reflects the guidance issued on March 27, 2011 by the IRS in Revenue Procedure 2011-26.