

DRA DATA REQUEST
DRA-SCG-118-MRL
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: JULY 12, 2011
DATE RESPONDED: JULY 25, 2011

Exhibit Reference: SCG-28-Income Taxes, RGR-WP-3

Subject: Federal and State Adjustments: Meals & Entmnt & Pref'd Dvdnd Ded & Credit Addback

Please provide the following:

1. All work papers, including source documents such as journal records and electronic spreadsheets, supporting the following values for Test Year 2012:
 - a. 797,
 - b. 279,
 - c. “-“, and
 - d. “-“.

SoCalGas Response:

- a. 797 is the forecasted addback to federal taxable income for tax credits. The forecast is based on credits claimed on the 2008 tax returns (2008 was the last tax year filed at the time the forecast was prepared). A taxpayer is not allowed a credit and a deduction for the same item of expense, therefore, where SoCalGas has claimed a tax credit, the expense must be added back to taxable income as a schedule M adjustment.
- b. 279 is the tax-effected impact of the tax credit addback using the federal tax rate of 35% ($797 \times 35\% = 279$).
- c. “-“ is the sum of: 517 (meals and entertainment addback) offset by -517 (the preferred dividend deduction), and 0 (the state credit addback) shown in the “State Adjustments” section for TY 2012.
- d. “-“ is the tax effected impact of -0- multiplied by the state tax rate ($-0- \times 8.84\% = -0-$) in the “State Adjustments” section for TY 2012.

The derivation of the gross federal and state schedule M adjustments (797 and -0- respectively) and their federal and state tax-effected results (279 and -0- respectively) are shown in the Excel spreadsheet below.

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Response to Question 1 (Continued)

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Tax Credit/Credit Addback Calculation

Based on Credits Tax Claimed on the 2008 Tax Returns

Tax Credit Claimed	Credit Addback	Tax Rate	Tax Effectuated Result
	a	b	a x b
Child Care Credit	19	35%	7
Fuel Tax Credit	336	35%	118
Research and Development Credit	144	35%	50
Alternative Fuel Vehicle Credit (IRC Sec. 30C)	30	35%	11
Alternative Motor Vehicle Credit (IRC 30B)	100	35%	35
Enterprise Zone Credits	168	35%	59
Total Credits	797		279

The tax return workpapers and supporting schedules from 2008 that support the tax credits/credit addback shown in the Excel file above are in the attached pdf file below.



SCG 2008 - Tax
Credits.pdf

SoCalGas

State Schedule M Adjustment for

50% of Meals and Entertainment, Preferred Dividends,

Credit Addback

Schedule M Adjustment	Schedule M Adjustment	Tax Rate	Tax Effectuated Result
	a	b	a x b
50% of Meals and Entertainment	517	8.84%	46
Preferred Dividend Deduction	-517	8.84%	(46)
Credit Addback	0	8.84%	-
Total	0		-

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Response to Question 1 (Continued)

Notes:

The 50% of meals and entertainment Schedule M adjustment forecast (517) is based on a three year average of the tax return amounts for 2007, 2008, and 2009 $((533 + 605 + 414)/3 = 517)$.

The preferred dividend deduction Schedule M adjustment forecast (-517) is also based on a three year average of the tax return amounts for 2007, 2008, and 2009 $((-517 + -517 + -517)/3 = -517)$.

The tax return workpapers and supporting schedules calculating tax adjustments for the 50% of meals and entertainment disallowance and the preferred dividend deduction are in the pdf file below.



SCG - 2007-2009 -
P625 - Meals & Entert

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2. Allocate the amounts identified in Item No. 1, above, into a) entertainment, b) meals, c) Preferred Dividend Deduction, and d) Credit Addback. Your response must include Excel spreadsheets containing all data and formulae for these amounts and the allocations.

SoCalGas Response:

The stratification into amounts identified in Item No.1 above into a) entertainment, meals, c) preferred dividend deduction and d) credit addback is shown in the response to Question 1 and the accompanying pdf files containing data supporting the annual tax return amounts for 2007, 2008, and 2009 in the response to Question 1.