

ORA DATA REQUEST
ORA-SCG-126-CL8
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE
DATE RECEIVED: FEBRUARY 6, 2018
DATE RESPONDED: FEBRUARY 20, 2018

Exhibit Reference: SCG-38-WP-R

SCG Witness: Karen Chan

Subject: Working Cash

Please provide the following:

1. In response to Question 5(b) of data request ORA-SCG-004-CL8, SoCalGas stated, “For 2016, SoCalGas did not make any federal tax payments as it was in a net operating loss position from a federal tax perspective.” Accordingly, no 2016 federal income tax dollars are included in Schedule N. On page RGR-15 of Ex. SCG-37-R, SoCalGas indicates a recorded 2016 federal income tax total of \$65,618,000.

- a. Please provide an explanation for the discrepancy between these two sources’ descriptions of the 2016 federal income tax total.
- b. If SoCalGas did make federal tax payments in 2016, please provide a full reconciliation of the amounts and dates of all 2016 federal income tax payments. Reconcile these amounts against the \$65,618,000 figure, as indicated in Ex. SCG-37-R on p. RGR-15.
- c. Please provide a copy of the law that prescribes when SoCalGas must disburse payments for federal income taxes.

SoCalGas Response 1:

- a. The computation of the 2016 federal income tax of \$65.6 million on page RGR-15 of Ex. SCG-37-R comes from the sum file in the Results of Operations (RO) Model. The tax payments included in Schedule N-1 are the actual tax return payments made in 2016. SoCalGas did not make any estimated federal income tax payments for 2016 because SoCalGas had available net operating loss carryforward amounts from prior years that were applied to the 2016 tax return liability.
- b. SoCalGas did not make any estimated or actual federal income tax payments for 2016 income tax liabilities.
- c. Please refer to the attached IRS regulations §1.6655-1(d) and §1.6655-1(f), provided in the attached for convenience.

ORA DATA REQUEST
ORA-SCG-126-CL8
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE
DATE RECEIVED: FEBRUARY 6, 2018
DATE RESPONDED: FEBRUARY 20, 2018

2. Schedule N-2 on p. KCC-WP-33-R of Ex. SCG-38-WP-R shows total 2016 California corporate franchise tax payments as \$37.9 million. Table SCG-RGR-3-1 on page RGR-15 of Ex. SCG-37-R shows 2016 California corporate franchise taxes as \$11.666 million.

- a. Please provide an explanation for the discrepancy between these two sources' descriptions of the 2016 California corporate franchise tax total.
- b. Please provide a reconciliation of the discrepancy identified above in (a).
- c. If a refund is expected on any of these 2016 amounts, please identify the amount of the refund and provide a justification for the over-payment.
- d. If payments are made based upon estimations, please provide a description of how SoCalGas estimates its tax payments.
- e. Please provide a copy of the law that prescribes when SoCalGas must disburse payments for California corporate franchise taxes.

SoCalGas Response 2:

- a. The 2016 California corporate franchise tax of \$11.7 million on page RGR-15 of Ex. SCG-37-R is a derived figure calculated within the RO Model for the 2019 GRC. Accordingly, this calculation only incorporates projects included within the GRC filing. The tax payments included in Schedule N-2 are the actual estimated payments made by SCG in 2016. Accordingly, these payments incorporate all SCG projects, including projects covered by regulatory mechanisms outside of the GRC.
- b. SCG does not as a matter of practice compartmentalize the estimated taxes relating to GRC projects as a subcomponent of its total estimated tax payments, and does not have a means of providing a meaningful reconciliation between the tax calculated within the RO model (shown on page RGR-15 of Ex. SCG-37-R) and the actual estimated tax payments (shown on Schedule N-2).
- c. A California corporate franchise tax refund of approximately \$7.1 million is expected for the SoCalGas 2016 tax year. Many of the SoCalGas tax adjustments require a great deal of analysis, so more time is needed to prepare the actual tax return that is filed in October of the following year. Once the final tax adjustments have been prepared, a tax return is filed with the California Franchise Tax Board. At that time, SoCalGas is able to determine their actual tax return liability for the previous year.

**ORA DATA REQUEST
ORA-SCG-126-CL8
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE
DATE RECEIVED: FEBRUARY 6, 2018
DATE RESPONDED: FEBRUARY 20, 2018**

SoCalGas Response 2: -Continued

For the 2016 tax year, the SoCalGas actual tax return liability was less than the liability that was previously calculated based on the best information available at the time for the estimated payments. This resulted in an overpayment when the California corporate franchise tax return was filed.

- d. SoCalGas makes estimated California corporate franchise tax payments during the year to comply with California tax law. The state of California requires that 30% of the annual tax liability be paid by April 15th, another 40% (70% cumulative) by June 15th, and another 30% (100% cumulative) by December 15th. SoCalGas prepares estimated calculations of the full year California tax liability, based on the best information available at the time, and multiplies this full year amount by the applicable percentage due for each estimated payment.
- e. Please refer to the attached Cal. Rev. & Tax Cd. §19025(b), provided here for convenience.