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December 1, 2008

ADVICE LETTER 2044-E / 1820-G
(U902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: INCREASE OF THE INCOME TAX COMPONENT OF CONTRIBUTIONS AND
ADVANCES PROVISION**

San Diego Gas & Electric Company (SDG&E) hereby submits for approval the following revisions to its electric and gas tariffs as shown in Attachments A and B, Respectively.

PURPOSE

Pursuant to Ordering Paragraph 7 of California Public Utilities Commission (Commission) Decision (D.) 87-09-026 in OII 86-11-019, SDG&E hereby revises the tax factor contained in the Income Tax Component of Contributions and Advances Provision (ITCCAP) of the electric and gas Preliminary Statements (Sections VI. and VIII., respectively).

BACKGROUND

SDG&E's electric and gas Preliminary Statements provide that Contributions in Aid of Construction (CIAC) and Advances for Construction (Contributions) consist of two components: 1) ITC and 2) the balance of the Contribution or Advance, excluding income taxes (Balance of Contribution). The ITC is calculated by multiplying the Balance of Contribution or Advance by the tax factor. The tax factor is developed by using the "Maryland Method" as set forth in Commission D.87-09-026.

D.87-09-026 directs the respondent utilities to file an advice letter filing 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 is being revised to reflect a recent change in the Federal business provisions of the Internal Revenue Code, pursuant to Title I, Sections 103(a) of the Economic Stimulus Act of 2008 (H.R. 5140, Signed by the President on February 13, 2008). This provision, which provided additional depreciation and temporarily reduced SDG&E's current tax factor, will expire on December 31, 2008. Therefore, SDG&E's tax factor will increase beginning January 1, 2009. A copy of this provision is included herein as Attachment C.

DISCUSSION

By this filing, SDG&E hereby revises its electric and gas Preliminary Statements to reflect an increase in the tax factor, which is used to compute the ITC associated with Contribution in Aid of Construction and Advances for Construction (Contribution). The tax factor will increase from 22% to 35% for electric and from 20% to 31% for gas. The electric and gas factors differ

because all gas assets currently have a federal tax depreciable life of 15 years.¹ The revised tax factors have been calculated, as shown in Attachment D, by using the Maryland Method adopted by D.87-09-026. Effective January 1, 2009, these additional allowances are no longer allowed and property contributed to SDG&E after December 31, 2008 will be subject to a tax factor of 35% for electric and 31% for gas.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

EFFECTIVE DATE

SDG&E believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. Therefore, SDG&E requests that the tariffs proposed herein be approved effective January 1, 2009, the date on which the additional allowances are no longer available.

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 must be received within 20 days of the date this Advice Letter was filed with the Commission. 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 both Honesto Gatchalian (jni@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. 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: Todd Cahill
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1788
E-mail: tcahill@semprautilities.com

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

¹ Gas distribution property was dropped from 20 years to 15 years for the period between 4/15/2005 and 12/31/2010.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1788 or by e-mail at SDG&ETariffs@semprautilities.com.

KEN DEREMER
Director – Tariffs & Regulatory Accounts

(cc list enclosed)

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. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Will Fuller

Phone #: (858) 654-1885

E-mail: wfuller@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) #: 2044-E / 1820-G

Subject of AL: Increase of the Income Tax Component of Contributions and Advances Provision

Keywords (choose from CPUC listing): Preliminary Statement

AL filing type: Monthly Quarterly Annual One-Time Other

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation:

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 1/1/09

No. of tariff sheets: 6

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: See Table of Contents

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

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

mas@cpuc.ca.gov and jnj@cpuc.ca.gov

San Diego Gas & Electric

Attention: Todd Cahill

8330 Century Park Ct, Room 32C

San Diego, CA 92123

tcahill@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-B
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling
S. Cauchois
J. Greig
R. Pocta
W. Scott

Energy Division

P. Clanon
S. Gallagher
H. Gatchalian
D. Lafrenz
M. Salinas

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

CCSE

S. Freedman
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

H. Nanjo
M. Clark

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark
M. Huffman
S. Lawrie
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate Reduction

M. Rochman
Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander
K. Cini
K. Gansecki
H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio
M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi
N. Furuta
L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

ATTACHMENT A
ADVICE LETTER 2044-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 20922-E	PRELIMINARY STATEMENT, VI. MISCELLANEOUS, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION (ITCCAP), Sheet 1	Revised 20435-E
Revised 20923-E	TABLE OF CONTENTS, Sheet 1	Revised 20918-E
Revised 20924-E	TABLE OF CONTENTS, Sheet 3	Revised 20913-E



PRELIMINARY STATEMENT

Sheet 1

VI. MISCELLANEOUS

INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION (ITCCAP)

1. General

Pursuant to Decision 87-09-026, dated September 10, 1987, in OII 86-11-019, all Contributions to the utility, including Contributions in Aid of Construction (CIAC), and Advances for Construction (Contributions), made pursuant to the utility's tariffs shall include a cost component to cover the utility's estimated liability for State and Federal Income Tax resulting therefrom. Effective January 1, 1992, the cost component shall be revised to cover the utility's estimated liability for both Federal and State Income Tax, pursuant to Resolution E-3243, dated September 25, 1991.

2. Definitions

a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided by a person or agency to the utility. The value of all Contributions and Advances shall be based on the utility's estimates. Contributions shall consist of two components for purposes of recording transactions as follows:

- (1) Income Tax Component (ITC), and
- (2) The Balance of the Contribution or Advance, excluding income taxes (Balance of Contribution).

b. ITC: The ITC shall be calculated by multiplying the Balance of Contribution or Advance by the tax factor of 0.35 beginning January 1, 2009 and thereafter.

Under the "Periodic Review" provisions contained in Section E.2.of Rule 15, the ITC shall be adjusted for any state and federal income tax liability when such changes result in a change of five percentage points or more. The ITC should also be adjusted for any state income tax liability, effective January 1, 1992. Prior to the contemplated filing date for any revision of the system average unit costs contained in Rule 15, any filings for changes in ITC shall be made to reflect changes in income tax liability.

c. Tax Factor: The tax factor is established by using the "Maryland Method" as set forth in Decision 87-09-026 in I.86-11-019. Should the Internal Revenue Service (IRS) deem the "Maryland Method" to be in violation of the tax normalization rules, any penalties, interest or taxes incurred by the utility shall be recovered through general rates.

T
D

(Continued)



TABLE OF CONTENTS

Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

	<u>Cal. P.U.C. Sheet No</u>
TITLE PAGE.....	16015-E
TABLE OF CONTENTS.....	20923, 20912, 20924, 20907, 20919, 20886, 20881-E 20424, 20860, 20861, 20887, 20308, 19529-E
PRELIMINARY STATEMENT:	
I. General Information.....	8274, 18225, 18226-E
II. <u>Balancing Accounts</u>	
Description/Listing of Accounts	19402, 20706-E
California Alternate Rates for Energy (CARE) Balancing Account.....	19406, 19407-E
Rewards and Penalties Balancing Account (RPBA).....	19408, 19409-E
Transition Cost Balancing Account (TCBA).....	19410, 19411, 19412, 19413, 19414-E
Post-1997 Electric Energy Efficiency Balancing Account (PEEEBA).....	19415, 19416-E
Research, Development and Demonstration (RD&D) Balancing Account.....	19417, 19418-E
Renewables Balancing Account (RBA).....	19419, 19420-E
Tree Trimming Balancing Account (TTBA).....	19421, 19422-E
Baseline Balancing Account (BBA).....	19423, 19424-E
El Paso Turned-Back Capacity Balancing Account (EPTCBA).....	19425-E
Energy Resource Recovery Account (ERRA).....	19426, 19712, 20329, 19429, 19430-E
Low-Income Energy Efficiency Balancing Account (LIEEBA).....	19431, 19432-E
Electric Vehicle Balancing Account (EVBA).....	19433, 19434-E
Non-Fuel Generation Balancing Account (NGBA).....	20337, 19436, 19437-E
Electric Procurement Energy Efficiency Balancing Account (EPEEBA).....	19438-E
Common Area Balancing Account (CABA).....	19439-E
Nuclear Decommissioning Adjustment Mechanism (NDAM).....	19440-E
Pension Balancing Account (PBA).....	19441, 19442-E
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA).....	19443, 19444-E
Community Choice Aggregation Implementation Balancing Account (CCAIBA).....	19445-E

(Continued)

1H5

Advice Ltr. No. 2044-E

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Dec 1, 2008

Effective Jan 1, 2009

Resolution No. _____



TABLE OF CONTENTS

Sheet 3

III. Memorandum Accounts (Continued)

Litigation Cost Memorandum Account (LCMA).....	20893-E
Community Choice Aggregation Surcharge Memorandum Account (CCASMA).....	19988-E
Advanced Metering Infrastructure Memorandum Account (AMIMA).....	19496-E
Interim Call Center Memorandum Account (ICCMA).....	19497-E
Independent Evaluator Memorandum Account (IEMA)...	19498-E
Renewables Portfolio Standard Memorandum Account (RPSMA).....	20808-E
Market Redesign Technology Upgrade Memorandum Account.....	19972-E
Gain/Loss On Sale Memorandum Account (GLOSMA)....	20157-E
General Rate Case Revenue Requirements Memorandum Account (GRCRRMA).....	20735-E
Non-Residential Submetering Memorandum Account (NRSMA)	20474-E
Long Term Procurement Plan Technical Assistance Memorandum Account (LTAMA).....	20640-E
Energy Efficiency 2009-2011 Memorandum Account (EEMA)	20910-E

IV. Electric Distribution and Gas Performance	20867, 20737, 20738, 20739, 20868, 20869, 20742-E
Based Ratemaking (PBR) Mechanism.....	20743, 20744, 20745, 20746-E

V. SONGS 2&3 Procedures.....	17006, 17007-E
------------------------------	----------------

VI. Miscellaneous

Listing of Accounts	20158-E
Income Tax Component of Contributions and Advances Provision (ITCCAP).....	20922, 19501, 19502-E
Hazardous Substance Cleanup Cost Account (HSCCA)	19503, 19504, 19505, 19506, 19507, 19508-E 19509, 19510, 19511, 19512, 19513-E
Competition Transition Charge Responsibility (CTCR)	19514-E
Public Purpose Programs Adjustment Mechanism (PPPAM)	20610, 19516-E
Gain/Loss On Sale Mechanism (GLOSM)	20159, 20160, 20161, 20162, 20163-E

VII. Cost of Capital Mechanism (CCM).....	20697-E
-------------------------------------------	---------

INDEX OF RATE AREA MAPS

Map 1 - Territory Served.....	15228-E
Map 1-A - Territory Served.....	4916-E
Map 1-B - Territory Served.....	7295-E
Map 1-C - Territory Served.....	9135-E
Map 1-D - Territory Served.....	9136-E

(Continued)

3H5

Advice Ltr. No. 2044-E

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Dec 1, 2008

Effective Jan 1, 2009

Resolution No. _____

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ATTACHMENT B
ADVICE LETTER 1820-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 17341-G	PRELIMINARY STATEMENT, VIII. MISCELLANEOUS, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION (ITCCAP), Sheet 1	Revised 16884-G
Revised 17342-G	TABLE OF CONTENTS, Sheet 1	Revised 17291-G
Revised 17343-G	TABLE OF CONTENTS, Sheet 2	Revised 17289-G



PRELIMINARY STATEMENT

Sheet 1

VIII. MISCELLANEOUS

INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION (ITCCAP)

1. General

Pursuant to Decision 87-09-026, dated September 10, 1987, in OII 86-11-019, all Contributions to the utility, including Contributions in Aid of Construction (CIAC), and Advances for Construction (Contributions), made pursuant to the utility's tariffs shall include a cost component to cover the utility's estimated liability for Federal Income Tax resulting therefrom. Effective January 1, 1992, the cost component shall be revised to cover the utility's estimated liability for both Federal and State Income Tax, pursuant to Resolution E-3243, dated September 25, 1991.

2. Definitions

a. **Contributions:** Contributions in Aid of Construction and Advances for Construction shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided by a person or agency to the utility. The value of all Contributions and Advances shall be based on the utility's estimates. Contributions shall consist of two components for purposes of recording transactions as follows:

- (1) Income Tax Component (ITC), and
- (2) The Balance of the Contribution or Advance, excluding income taxes (Balance of Contribution).

b. **ITC:** The ITC shall be calculated by multiplying the Balance of Contribution or Advance by the tax factor of 0.31 beginning January 1, 2009 and thereafter.

Under the "Periodic Review" provisions contained in Section E.2 of Rules 15 and 16, the ITC shall be adjusted for any state and federal income tax liability when such changes result in a change of five percentage points or more. The ITC should also be adjusted for any state income tax liability, effective January 1, 1992. Prior to the contemplated filing date for any revision of the system average unit costs contained in Rules 15 and 16, any filing for changes in ITC shall be made to reflect changes in income tax liability.

c. **Tax Factor:** The tax factor is established by using the "Maryland Method" as set forth in Decision 87-09-026 in I.86-11-019. Should the Internal Revenue Service (IRS) deem the "Maryland Method" to be in violation of the tax normalization rules, any penalties, interest or taxes incurred by the utility shall be recovered through general rates.

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T
D

(Continued)



TABLE OF CONTENTS

Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

	<u>Cal. P.U.C. Sheet No.</u>
TITLE PAGE.....	12805-G
TABLE OF CONTENTS.....	17342, 17343, 17245, 17292, 16998-G 16357, 17204, 17205, 15760-G
PRELIMINARY STATEMENT	
I. General Information.....	7270, 14986-G
II. Statement of Rates.....	11981, 17236, 17126, 17211, 17212, 16688-G
III. Biennial Cost Allocation Proceeding (BCAP).....	7587, 7277, 14247, 16689, 14249, 7281-G 7489, 14250, 14251, 14252, 7493, 7494-G
IV. <u>Balancing Accounts</u>	
Description/Listing of Accounts.....	15671, 17107-G
Interstate Transition Cost Surcharge Account (ITCS).....	15678, 16579-G
Curtailment Penalty Funds Account (CPFA).....	15680-G
California Alternate Rates for Energy (CARE) Balancing Account.....	15681, 15682-G
Natural Gas Vehicle (NGV) Adjustment Clause.....	15683, 15684-G
Gas Storage Balancing Account (GSBA).....	15685, 15686, 15687-G
Core Interstate Transition Cost Surcharge Amount (CITCS).....	15688-G
Research, Development and Demonstration (RD&D) Balancing Account.....	15689, 15690, 15691-G
Gas Energy Efficiency Balancing Account (GEEBA)	15692, 15693-G
Rewards & Penalties Balancing Account (RPBA)....	16270, 15695-G
Baseline Balancing Account (BBA).....	15696-G
Fiber Optic Cable in Gas Pipelines Services Account (FIGA).....	15697-G
Pension Balancing Account (PBA).....	15698, 15699-G
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA).....	15700, 15701-G
Core Fixed Cost Account (CFCA).....	16139, 15703, 16140-G
Noncore Fixed Cost Account (NFCA).....	16141, 15706, 16142-G
Post-2005 Gas Energy Efficiency Balancing Account (PGEEBA).....	15708, 15709-G
Post-2005 Gas Low Income Energy Efficiency Balancing Account (PGLIEEBA).....	15710, 15711-G
California Solar Initiative Balancing Account (CSIBA).....	15712, 15713-G

(Continued)



TABLE OF CONTENTS

Sheet 2

IV. <u>Balancing Accounts</u>		
Integrated Transmission Balancing Account (ITBA)		16484-G
Advanced Metering Infrastructure Account (AMIBA)	16271, 16272, 16273-G	
Distribution Integrity Management Program Balancing Account (DIMPBA).....		17172-G
V. <u>Memorandum Accounts</u>		
Description/Listing of Accounts.....		15714, 17286-G
Catastrophic Event Memorandum Account (CEMA)	15716, 15717, 15718-G	
Core Reclassification Shortfall Memorandum Account (CRSMA).....		15719-G
Gas DSM Memorandum Account (GDSMMA).....		15720-G
Cogeneration Shortfall Memorandum Account (CSMA).....		15721-G
Liquefied Natural Gas Service Tracking Account (LNGSTA).....	15723, 15724-G	
Global Settlement Tracking Account (GLOBAL).....		15725-G
Self-Generation Program Memorandum Account (SGPMA).....	15727, 15728-G	
FERC Settlements Proceeds Memorandum Account (FSPMA).....		15730-G
Advanced Metering Infrastructure Memorandum Account (AMIMA).....	15965, 15732-G	
Gain/Loss On Sale Memorandum Account (GLOSMA)		16402-G
General Rate Case Revenue Requirement Memorandum Account (GRCRRMA)	17174, 14509, 14510, 14511, 14512, 14513-G	
Energy Efficiency 2009-2011 Memo Acct (EEMA)	17246, 17176, 17177, 17178, 17247, 17248-G	
17287-G		
VI. Electric Distribution and Gas Performance Based Ratemaking (PBR) Mechanism.....	17181, 17182, 17183, 17184, 17185-G	
VII. Gas Procurement Performance-Based Ratemaking Mechanism Procedure.....	15827, 15056, 15057, 13262, 13263, 13264-G	
VIII. <u>Miscellaneous</u>		
Listing of Accounts.....		16403-G
Natural Gas Supplier Refunds (NGSR).....		15735-G
California Public Utilities Commission Mobilehome Park Gas Safety Inspection and Enforcement Program Surcharge (PUCMPGS).....		15736-G
Allocation of Pacific Interstate Transmission Company (PITCO) and Pacific Offshore Pipeline Company (POPCO) Excess Costs.....		15737-G
Income Tax Component of Contributions and Advances Provisions.....		17341, 15739, 15740-G
Hazardous Substance Cleanup Cost Account (HSCCA).....	15741, 15742, 15743, 15744, 15745, 15746-G	
	5747, 15748, 15749, 15750, 15751-G	
Gain/Loss on Sale Mechanism (GLOSM)	16404, 16405, 16406, 16407, 16408-G	
Consolidated Gas Portfolio.....		16681-G
IX. Cost of Capital Mechanism (CCM).....		17090-G

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(Continued)

SDG&E AL 2044-E / 1820-G

ATTACHMENT C

Economic Stimulus Act of 2008

TITLE I – RECOVERY REBATES AND INCENTIVES FOR BUSINESS INVESTMENT

SEC. 103. SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED DURING 2008.

- (a) IN GENERAL.—Subsection (k) of section 168 of the Internal Revenue Code of 1986 (relating to special allowance for certain property acquired after September 10, 2001, and before January 1, 2005) is amended—
- (1) by striking “September 10, 2001” each place it appears and inserting “December 31, 2007”,
 - (2) by striking “September 11, 2001” each place it appears and inserting “January 1, 2008”,
 - (3) by striking “January 1, 2005” each place it appears and inserting “January 1, 2009”, and
 - (4) by striking “January 1, 2006” each place it appears and inserting “January 1, 2010”.
- (b) 50 PERCENT ALLOWANCE.—Subparagraph (A) of section 168(k)(1) of such Code is amended by striking “30 percent” and inserting “50 percent”.
- (c) CONFORMING AMENDMENTS.—
- (1) Subclause (I) of section 168(k)(2)(B)(i) of such Code is amended by striking “and (iii)” and inserting “(iii), and (iv)”.
 - (2) Subclause (IV) of section 168(k)(2)(B)(i) of such Code is amended by striking “clauses (ii) and (iii)” and inserting “clause (iii)”.
 - (3) Clause (i) of section 168(k)(2)(C) of such Code is amended by striking “and (iii)” and inserting “, (iii), and (iv)”.
 - (4) Clause (i) of section 168(k)(2)(F) of such Code is amended by striking “\$4,600” and inserting “\$8,000”.
 - (5)(A) Subsection (k) of section 168 of such Code is amended by striking paragraph (4).
 - (B) Clause (iii) of section 168(k)(2)(D) of such Code is amended by striking the last sentence.
 - (6) Paragraph (4) of section 168(l) of such Code is amended by redesignating subparagraphs (A), (B), and (C) as subparagraphs (B), (C), and (D) and inserting before subparagraph (B) (as so redesignated) the following new subparagraph:
“(A) BONUS DEPRECIATION PROPERTY UNDER SUBSECTION (k).—Such term shall not include any property to which section 168(k) applies.”
 - (7) Paragraph (5) of section 168(l) of such Code is amended—
 - (A) by striking “September 10, 2001” in subparagraph (A) and inserting “December 31, 2007”, and
 - (B) by striking “January 1, 2005” in subparagraph (B) and inserting “January 1, 2009”.
 - (8) Subparagraph (D) of section 1400L(b)(2) of such Code is amended by striking “January 1, 2005” and inserting “January 1, 2010”.
 - (9) Paragraph (3) of section 1400N(d) of such Code is amended—
 - (A) by striking “September 10, 2001” in subparagraph (A) and inserting “December 31, 2007”, and
 - (B) by striking “January 1, 2005” in subparagraph (B) and inserting “January 1, 2009”.
 - (10) Paragraph (6) of section 1400N(d) of such Code is amended by adding at the end the following new subparagraph:
“(E) EXCEPTION FOR BONUS DEPRECIATION PROPERTY UNDER SECTION 168(k).—The term ‘specified Gulf Opportunity Zone extension property’ shall not include any property to which section 168(k) applies.”
 - (11) The heading for subsection (k) of section 168 of such Code is amended—
 - (A) by striking “SEPTEMBER 10, 2001” and inserting “DECEMBER 31, 2007”, and
 - (B) by striking “JANUARY 1, 2005” and inserting “JANUARY 1, 2009”.
 - (12) The heading for clause (ii) of section 168(k)(2)(B) of such Code is amended by striking “PRE-JANUARY 1, 2005” and inserting “PRE-JANUARY 1, 2009”.
- (d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2007, in taxable years ending after such date.

SDG&E Advice Letter 2044-E / 1820-G
Attachment D (electric)

CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES
Electric Property

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
YEAR	TAX PMT/(BEN) REFLECTING CIAC OF \$1,000	TAX BASIS	CALIFORNIA DEPRECIATION RATES	CALIFORNIA RATES	STATE TAX BENEFIT	MODIFIED MACRS RATES	FEDERAL TAX RATE	FEDERAL TAX BENEFIT	REMAINING CIAC PAYABLE	WTD. AVG. UNRECOVERED TAX PMT.	RATE OF RETURN	REVENUE REQUIREMENT ON REMAINING INVESTMENT	DISCOUNT FACTOR 0.12	DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT
1	438.4	1,000	3.334%	8.840%	2.9473	3.750%	35.00%	13.1250	422.3277	430.3639	17.000%	73.1619	0.8929	65.3263
2	-30.94		6.445%		5.6974	7.219%		24.2350	361.4554	391.8916	17.000%	66.6216	0.7972	53.1103
3			6.016%		5.3181	6.677%		21.3754	334.7618	348.1086	17.000%	59.1785	0.7118	42.1221
4			5.615%		4.9637	6.177%		19.7581	310.0401	322.4009	17.000%	54.8082	0.6355	34.8316
5			5.241%		4.6330	5.713%		18.2582	287.1488	298.5944	17.000%	50.7611	0.5674	28.8032
6			4.892%		4.3245	5.285%		16.8759	265.9484	276.5486	17.000%	47.0133	0.5066	23.8184
7			4.566%		4.0363	4.888%		15.5944	246.3176	256.1330	17.000%	43.5426	0.4523	19.6965
8			4.261%		3.7667	4.522%		14.4143	228.1366	237.2271	17.000%	40.3286	0.4039	16.2880
9			3.977%		3.5157	4.462%		14.2986	210.3224	219.2295	17.000%	37.2690	0.3606	13.4396
10			3.712%		3.2814	4.461%		14.3830	192.6579	201.4901	17.000%	34.2533	0.3220	11.0286
11			3.465%		3.0631	4.462%		14.4685	175.1264	183.8922	17.000%	31.2617	0.2875	8.9870
12			3.234%		2.8589	4.461%		14.5414	157.7261	166.4263	17.000%	28.2925	0.2567	7.2620
13			3.018%		2.6679	4.462%		14.6164	140.4418	149.0840	17.000%	25.3443	0.2292	5.8083
14			2.817%		2.4902	4.461%		14.6797	123.2719	131.8569	17.000%	22.4157	0.2046	4.5867
15			2.630%		2.3249	4.462%		14.7454	106.2016	114.7367	17.000%	19.5052	0.1827	3.5635
16			2.455%		2.1702	4.461%		14.7998	89.2315	97.7166	17.000%	16.6118	0.1631	2.7097
17			2.367%		2.0924	4.462%		14.8574	72.2817	80.7566	17.000%	13.7286	0.1456	1.9995
18			2.367%		2.0924	4.461%		14.8812	55.3081	63.7949	17.000%	10.8451	0.1300	1.4103
19			2.367%		2.0924	4.462%		14.8847	38.3310	46.8195	17.000%	7.9593	0.1161	0.9241
20			2.367%		2.0924	4.461%		14.8812	21.3573	29.8442	17.000%	5.0735	0.1037	0.5260
21			2.367%		2.0924	2.231%		7.0762	12.1887	16.7730	17.000%	2.8514	0.0926	0.2639
22			2.367%		2.0924			(0.7323)	10.8286	11.5086	17.000%	1.9565	0.0826	0.1617
23			2.367%		2.0924			(0.7323)	9.4685	10.1485	17.000%	1.7252	0.0738	0.1273
24			2.367%		2.0924			(0.7323)	8.1083	8.7884	17.000%	1.4940	0.0659	0.0984
25			2.367%		2.0924			(0.7323)	6.7482	7.4283	17.000%	1.2628	0.0588	0.0743
26			2.367%		2.0924			(0.7323)	5.3881	6.0681	17.000%	1.0316	0.0525	0.0542
27			2.367%		2.0924			(0.7323)	4.0279	4.7080	17.000%	0.8004	0.0469	0.0375
28			2.367%		2.0924			(0.7323)	2.6678	3.3479	17.000%	0.5691	0.0419	0.0238
29			2.367%		2.0924			(0.7323)	1.3077	1.9877	17.000%	0.3379	0.0374	0.0126
30			2.367%		2.0924			(0.7323)	(0.0524)	0.6276	17.000%	0.1067	0.0334	0.0036
31			1.184%		1.0467			(0.7323)	(0.3668)	(0.2096)	17.000%	(0.0356)	0.0298	-0.0011
32					0.0000			(0.3663)	(0.0005)	(0.1836)	17.000%	(0.0312)	0.0266	-0.0008
			<u>100.000%</u>		<u>88.4000</u>	<u>100.000%</u>		<u>319.0605</u>				<u>700.0446</u>		<u>347.0972</u>
	<u>407.46</u>							<u>407.4605</u>				347.0972	/ 1000	<u>34.7100%</u>
													Rate:	<u>35.0000%</u>

SDG&E Advice Letter 2044-E / 1820-G
Attachment D (gas)

CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES
Gas Property

(A) YEAR	(B) TAX PMT/(BEN) REFLECTING CIAC OF \$1,000	(C) TAX BASIS	(D) CALIFORNIA DEPRECIATION RATES	(E) CALIFORNIA RATES	(F) STATE TAX BENEFIT	(G) MODIFIED MACRS RATES	(H) FEDERAL TAX RATE	(I) FEDERAL TAX BENEFIT	(J) REMAINING CIAC PAYABLE	(K) WTD. AVG. UNRECOVERED TAX PMT.	(L) RATE OF RETURN	(M) REVENUE REQUIREMENT ON REMAINING INVESTMENT	(N) DISCOUNT FACTOR 0.12	(O) DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT
1	438.4	1,000	2.857%	8.840%	2.5256	5.000%	35.00%	17.5000	418.3744	428.3872	17.000%	72.8258	0.8929	65.0262
2	-30.94		5.551%		4.9071	9.500%		32.3660	350.1613	384.2679	17.000%	65.3255	0.7972	52.0771
3			5.234%		4.6269	8.550%		28.2075	317.3270	333.7442	17.000%	56.7365	0.7118	40.3839
4			4.935%		4.3625	7.700%		25.3306	287.6338	302.4804	17.000%	51.4217	0.6355	32.6794
5			4.653%		4.1133	6.930%		22.7281	260.7925	274.2132	17.000%	46.6162	0.5674	26.4513
6			4.387%		3.8781	6.230%		20.3654	236.5490	248.6707	17.000%	42.2740	0.5066	21.4173
7			4.137%		3.6571	5.900%		19.2927	213.5992	225.0741	17.000%	38.2626	0.4523	17.3081
8			3.901%		3.4485	5.900%		19.3700	190.7807	202.1899	17.000%	34.3723	0.4039	13.8824
9			3.678%		3.2514	5.910%		19.4780	168.0513	179.4160	17.000%	30.5007	0.3606	10.9989
10			3.468%		3.0657	5.900%		19.5120	145.4736	156.7625	17.000%	26.6496	0.3220	8.5805
11			3.270%		2.8907	5.910%		19.6120	122.9709	134.2223	17.000%	22.8178	0.2875	6.5596
12			3.084%		2.7263	5.900%		19.6383	100.6064	111.7887	17.000%	19.0041	0.2567	4.8779
13			2.908%		2.5707	5.910%		19.7308	78.3049	89.4556	17.000%	15.2075	0.2292	3.4852
14			2.742%		2.4239	5.900%		19.7503	56.1307	67.2178	17.000%	11.4270	0.2046	2.3382
15			2.585%		2.2851	5.910%		19.8366	34.0089	45.0698	17.000%	7.6619	0.1827	1.3998
16			2.438%		2.1552	2.950%		9.5252	22.3285	28.1687	17.000%	4.7887	0.1631	0.7811
17			2.299%		2.0323			(0.7543)	21.0505	21.6895	17.000%	3.6872	0.1456	0.5370
18			2.168%		1.9165			(0.7113)	19.8453	20.4479	17.000%	3.4761	0.1300	0.4520
19			2.040%		1.8034			(0.6708)	18.7128	19.2790	17.000%	3.2774	0.1161	0.3805
20			2.040%		1.8034			(0.6312)	17.5406	18.1267	17.000%	3.0815	0.1037	0.3194
21			2.040%		1.8034			(0.6312)	16.3684	16.9545	17.000%	2.8823	0.0926	0.2668
22			2.040%		1.8034			(0.6312)	15.1963	15.7824	17.000%	2.6830	0.0826	0.2217
23			2.040%		1.8034			(0.6312)	14.0241	14.6102	17.000%	2.4837	0.0738	0.1833
24			2.040%		1.8034			(0.6312)	12.8520	13.4380	17.000%	2.2845	0.0659	0.1505
25			2.040%		1.8034			(0.6312)	11.6798	12.2659	17.000%	2.0852	0.0588	0.1227
26			2.040%		1.8034			(0.6312)	10.5076	11.0937	17.000%	1.8859	0.0525	0.0990
27			2.040%		1.8034			(0.6312)	9.3355	9.9216	17.000%	1.6867	0.0469	0.0791
28			2.040%		1.8034			(0.6312)	8.1633	8.7494	17.000%	1.4874	0.0419	0.0623
29			2.040%		1.8034			(0.6312)	6.9912	7.5772	17.000%	1.2881	0.0374	0.0482
30			2.040%		1.8034			(0.6312)	5.8190	6.4051	17.000%	1.0889	0.0334	0.0363
31			2.040%		1.8034			(0.6312)	4.6468	5.2329	17.000%	0.8896	0.0298	0.0265
32			2.040%		1.8034			(0.6312)	3.4747	4.0608	17.000%	0.6903	0.0266	0.0184
33			2.040%		1.8034			(0.6312)	2.3025	2.8886	17.000%	0.4911	0.0238	0.0117
34			2.040%		1.8034			(0.6312)	1.1304	1.7164	17.000%	0.2918	0.0212	0.0062
35			2.040%		1.8034			(0.6312)	(0.0418)	0.5443	17.000%	0.0925	0.0189	0.0018
36			1.025%		0.9061			(0.6312)	(0.3167)	(0.1792)	17.000%	(0.0305)	0.0169	-0.0005
37					0.0000			(0.3171)	0.0004	(0.1581)	17.000%	(0.0269)	0.0151	-0.0004
			100.000%		88.4000	100.000%		319.0596				581.6677		311.2692
	407.46							407.4596					/ 1000	31.1300%
													Rate:	31.0000%

SDG&E Advice Letter 2044-E / 1820-G
Attachment D (gas)

CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
YEAR	TAX PMT/(BEN) REFLECTING CIAC OF \$1,000	TAX BASIS	CALIFORNIA DEPRECIATION RATES	CALIFORNIA RATES	STATE TAX BENEFIT	MODIFIED MACRS RATES	FEDERAL TAX RATE	FEDERAL TAX BENEFIT	REMAINING CIAC PAYABLE	WTD. AVG. UNRECOVERED TAX PMT.	RATE OF RETURN	REVENUE REQUIREMENT ON REMAINING INVESTMENT	DISCOUNT FACTOR 0.12	DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT
1	438.4	1,000	3.334%	8.840%	2.9473	5.000%	35.00%	17.5000	417.9527	428.1764	17.000%	72.7900	0.8929	64.9942
2	-30.94		6.445%		5.6974	9.500%		32.2185	349.0969	383.5248	17.000%	65.1992	0.7972	51.9764
3			6.016%		5.3181	8.550%		27.9309	315.8478	332.4723	17.000%	56.5203	0.7118	40.2300
4			5.615%		4.9637	7.700%		25.0886	285.7956	300.8217	17.000%	51.1397	0.6355	32.5002
5			5.241%		4.6330	6.930%		22.5177	258.6448	272.2202	17.000%	46.2774	0.5674	26.2590
6			4.892%		4.3245	6.230%		20.1834	234.1369	246.3909	17.000%	41.8864	0.5066	21.2210
7			4.566%		4.0363	5.900%		19.1364	210.9641	222.5505	17.000%	37.8336	0.4523	17.1140
8			4.261%		3.7667	5.900%		19.2373	187.9601	199.4621	17.000%	33.9086	0.4039	13.6951
9			3.977%		3.5157	5.910%		19.3666	165.0779	176.5190	17.000%	30.0082	0.3606	10.8213
10			3.712%		3.2814	5.900%		19.4195	142.3769	153.7274	17.000%	26.1337	0.3220	8.4144
11			3.465%		3.0631	5.910%		19.5365	119.7774	131.0772	17.000%	22.2831	0.2875	6.4059
12			3.234%		2.8589	5.900%		19.5779	97.3406	108.5590	17.000%	18.4550	0.2567	4.7369
13			3.018%		2.6679	5.910%		19.6844	74.9883	86.1645	17.000%	14.6480	0.2292	3.3569
14			2.817%		2.4902	5.900%		19.7162	52.7819	63.8851	17.000%	10.8605	0.2046	2.2223
15			2.630%		2.3249	5.910%		19.8134	30.6436	41.7127	17.000%	7.0912	0.1827	1.2955
16			2.455%		2.1702	2.950%		9.5113	18.9620	24.8028	17.000%	4.2165	0.1631	0.6878
17			2.367%		2.0924			(0.7596)	17.6292	18.2956	17.000%	3.1103	0.1456	0.4530
18			2.367%		2.0924			(0.7323)	16.2691	16.9492	17.000%	2.8814	0.1300	0.3747
19			2.367%		2.0924			(0.7323)	14.9090	15.5890	17.000%	2.6501	0.1161	0.3077
20			2.367%		2.0924			(0.7323)	13.5488	14.2289	17.000%	2.4189	0.1037	0.2508
21			2.367%		2.0924			(0.7323)	12.1887	12.8688	17.000%	2.1877	0.0926	0.2025
22			2.367%		2.0924			(0.7323)	10.8286	11.5086	17.000%	1.9565	0.0826	0.1617
23			2.367%		2.0924			(0.7323)	9.4685	10.1485	17.000%	1.7252	0.0738	0.1273
24			2.367%		2.0924			(0.7323)	8.1083	8.7884	17.000%	1.4940	0.0659	0.0984
25			2.367%		2.0924			(0.7323)	6.7482	7.4283	17.000%	1.2628	0.0588	0.0743
26			2.367%		2.0924			(0.7323)	5.3881	6.0681	17.000%	1.0316	0.0525	0.0542
27			2.367%		2.0924			(0.7323)	4.0279	4.7080	17.000%	0.8004	0.0469	0.0375
28			2.367%		2.0924			(0.7323)	2.6678	3.3479	17.000%	0.5691	0.0419	0.0238
29			2.367%		2.0924			(0.7323)	1.3077	1.9877	17.000%	0.3379	0.0374	0.0126
30			2.367%		2.0924			(0.7323)	(0.0524)	0.6276	17.000%	0.1067	0.0334	0.0036
31			1.184%		1.0467			(0.7323)	(0.3668)	(0.2096)	17.000%	(0.0356)	0.0298	-0.0011
32					0.0000			(0.3663)	(0.0005)	(0.1836)	17.000%	(0.0312)	0.0266	-0.0008
			<u>100.000%</u>		<u>88.4000</u>	<u>100.000%</u>		<u>319.0605</u>				<u>561.7172</u>		<u>308.1111</u>
	<u>407.46</u>							<u>407.4605</u>				308.1111	/ 1000	<u>30.8100%</u>
													Rate:	<u>31.0000%</u>