

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 24, 2019

**Advice Letter 1092**

Justin Lee Brown  
Vice-President/Regulatory Affairs  
Southwest Gas Corporation  
PO Box 98510  
Las Vegas, NV 89193-8510

**SUBJECT: To Revised Preliminary Statement of Southwest Gas' California Tariff to Reflect a Change to the Tax Factor Used to Calculate the Income Tax Component of Contributions and Advances (ITCCA) to 24% Beginning January 1, 2019, and Thereafter, Due to H.R.1, Tax Cuts and Job Acts (TCJA)**

Dear Mr. Brown:

Advice Letter 1092 is effective as of January 1, 2019.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph  
Director, Energy Division



# SOUTHWEST GAS CORPORATION

December 28, 2018

ATTN: Tariff Unit, Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, Room 4005  
San Francisco, CA 94102

Subject: Southwest Gas Corporation (U 905 G)  
Advice Letter No. 1092

Enclosed herewith is one (1) copy of Southwest Gas Corporation's Advice Letter No. 1092, together with California Gas Tariff Sheet No. 22.

Sincerely,

Valerie J. Ontiveroz  
Regulatory Manager/California

VJO:jjp  
Enclosures



# SOUTHWEST GAS CORPORATION

Advice Letter No. 1092

December 28, 2018

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Southwest Gas Corporation (Southwest Gas) (U 905 G) tenders herewith for submission the following tariff sheet:

Cal. P.U.C. Sheet No.	California Gas Tariff Title of Sheet	Canceling Cal. P.U.C. Sheet No.
7th Revised Sheet No. 22	Preliminary Statement ( <i>Continued</i> )	6th Revised Sheet No. 22

### **Purpose**

The purpose of this submission is to revise Preliminary Statement 13 of Southwest Gas' California Tariff to reflect a change to the tax factor used to calculate the Income Tax Component of Contributions and Advances (ITCCA) to 24% beginning January 1, 2019, and thereafter, due to H.R. 1, Tax Cuts and Jobs Act (TCJA)<sup>1</sup>.

### **Background**

Since February 2008, the Federal Government has enacted, on a temporary basis, a series of income tax revisions intended to stimulate investment in capital projects. The previous income tax revisions were on December 18, 2015 when President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 (PATH), which retroactively extended the Federal Depreciation Provisions of the Internal Revenue Code (IRC), beginning January 1, 2015 through December 31, 2019, with reduced tax incentives in 2018 and 2019. The extension of the Federal Depreciation Provisions of the IRC included the following revisions to the ITCCA tax factors:

Effective Date	Applicable Tax Factor
January 1, 2015 through December 31, 2017	22%
January 1, 2018 through December 31, 2018	24%
January 1, 2019 through December 31, 2019	27%
January 1, 2020, and thereafter	35%

<sup>1</sup> The relevant sections of the TCJA is included as Attachment A to this submission.



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On December 22, 2017, the TCJA was signed into law, which superseded a portion of the PATH and included: 1) the reduction of the Federal corporate income tax to 21% from 35% beginning January 1, 2018; and 2) the elimination of the bonus depreciation deductions in the Modified Accelerated Cost Recovery System tax factor calculation for utilities. As a result, the tax factor used to compute the income tax component associated with the CIAC and Advances will be 24%, beginning January 1, 2019, and thereafter.

### **Revision to the Tax Factor Used to Calculate the ITCCA**

Southwest Gas requests authorization to modify its Preliminary Statement 13 to revise its tax factor to 24%, beginning January 1, 2019, and thereafter. Attachment B illustrates the calculation of the tax factor using Method 5 as set forth in Decision Nos. 87-09-026 and 87-12-028.

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

### **Effective Date**

Southwest Gas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 1 (Effective Pending Disposition) pursuant to GO 96-B. Southwest Gas requests this Advice Letter be approved on December 28, 2018, which is the date submitted, and the associated tariff revision be made effective January 1, 2019, the revision date of the tax factor as set forth in the TCJA.

### **Protest**

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based with specificity. The protest must be sent no later than 20 days after the date of this Advice Letter submission and shall be sent by letter via U.S. Mail, facsimile, or electronically mailed. The address for mailing or delivering a protest to the Commission is:

Energy Division  
California Public Utilities Commission  
Attention: Investigation, Monitoring & Compliance Program Manager  
505 Van Ness Avenue, Room 4002  
San Francisco, CA 94102  
Email: [edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)  
Facsimile: 415-703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004, at the same address as above and mailed, emailed or faxed to:



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**Protest** (Continued)

Mr. Justin Lee Brown  
Senior Vice President/General Counsel  
Southwest Gas Corporation  
P.O. Box 98510  
Las Vegas, NV 89193-8510  
Email: [justin.brown@swgas.com](mailto:justin.brown@swgas.com)  
Facsimile: 702-364-3452

**Notice**

Pursuant to Energy Industry Rule 3.1(2), Southwest Gas is exempt from the notice requirements set forth in General Rule 4.2 in GO 96-B since this Advice Letter is submitted in accordance with the provisions enacted in TCJA.

**Service**

In accordance with GO 96-B, General Rule 4.3, Southwest Gas is mailing copies of this advice letter and related tariff sheets to the utilities and interested parties shown on the attached list.

Communications regarding this submission should be directed to:

Valerie J. Ontiveroz  
Regulatory Manager/California  
Southwest Gas Corporation  
P.O. Box 98510  
Las Vegas, NV 89193-8510  
Telephone: 702-876-7323  
Email: [valerie.ontiveroz@swgas.com](mailto:valerie.ontiveroz@swgas.com)

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By:

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Justin Lee Brown

Attachments

**Distribution List**

Advice Letter No. 1092

In conformance with GO 96-B, General Rule 4.3

The following individuals or entities have been served by electronic mail:

Elizabeth Echols, Director  
Public Advocates Office  
[elizabeth.echols@cpuc.ca.gov](mailto:elizabeth.echols@cpuc.ca.gov)

Pacific Gas & Electric Company  
[PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Southern California Gas Company  
[ROrtiz@SempraUtilities.com](mailto:ROrtiz@SempraUtilities.com)

San Diego Gas & Electric Company  
[SDG&ETariffs@SempraUtilities.com](mailto:SDG&ETariffs@SempraUtilities.com)

Belinda Gatti  
Energy Division  
California Public Utilities Commission  
[belinda.gatti@cpuc.ca.gov](mailto:belinda.gatti@cpuc.ca.gov)

Robert M. Pocta  
Office of Ratepayer Advocates  
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Nathaniel Skinner  
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Office of Ratepayer Advocates  
California Public Utilities Commission  
[pearlie.sabino@cpuc.ca.gov](mailto:pearlie.sabino@cpuc.ca.gov)

PRELIMINARY STATEMENT

*(Continued)*

13. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES *(Continued)*

13C. APPLICABILITY

Income tax shall be collected on Contributions and Advances under the Company's California Gas Tariff, including but not limited to Rule Nos. 13, 15 and 16.

A Public Benefit Exemption may apply on a Contribution or Advance made to the Company by a government agency on the basis of either:

1. The Contribution or Advance is made pursuant to actual condemnation or the threat thereof as recognized by Internal Revenue Code Section 1033; or
2. The Contribution or Advance does not reasonably relate to the provision of service, but rather to the benefit of the public at large.

13D. DETERMINATION

The ITCC shall be calculated by multiplying the Balance of the Contribution by the applicable Tax Factor as follows:

<u>Effective Date</u>	<u>Applicable Tax Factor</u>
Beginning January 1, 2019, and thereafter	24%

The Company will submit to the Commission an advice letter filing to reflect any changes in the tax factor which would cause an increase or decrease of 5 percentage points or more.

The tax factor is established by using Method 5 as set forth in Decision Nos. 87-09-026 and 87-12-028 in Order Instituting Investigation 86-11-019.

The tax factors in Section 13D shall apply to all Contributions and Advances in accordance with Section D.6 of Rule No. 15, Gas Main Extensions, and Section E.4. of Rule No. 16, Gas Service Extensions of this California Gas Tariff.

**Advice Letter No. 1092**  
**Attachment A**

Relevant Sections of H.R. 1,  
Tax Cuts and Jobs Act of 2017



One Hundred Fifteenth Congress  
of the  
United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday,  
the third day of January, two thousand and seventeen*

An Act

To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

TITLE I

SECTION 11000. SHORT TITLE, ETC.

(a) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

Subtitle A—Individual Tax Reform

PART I—TAX RATE REFORM

SEC. 11001. MODIFICATION OF RATES.

(a) IN GENERAL.—Section 1 is amended by adding at the end the following new subsection:

“(j) MODIFICATIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) subsection (i) shall not apply, and

“(B) this section (other than subsection (i)) shall be applied as provided in paragraphs (2) through (6).

“(2) RATE TABLES.—

“(A) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—The following table shall be applied in lieu of the table contained in subsection (a):

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$19,050 .....	10% of taxable income.
Over \$19,050 but not over \$77,400 .....	\$1,905, plus 12% of the excess over \$19,050.
Over \$77,400 but not over \$165,000 .....	\$8,907, plus 22% of the excess over \$77,400.
Over \$165,000 but not over \$315,000 .....	\$28,179, plus 24% of the excess over \$165,000.
Over \$315,000 but not over \$400,000 .....	\$64,179, plus 32% of the excess over \$315,000.

are substituted under subparagraph (A) and adjusted under this subparagraph.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

## Subtitle C—Business-related Provisions

### PART I—CORPORATE PROVISIONS

#### SEC. 13001. 21-PERCENT CORPORATE TAX RATE.

(a) IN GENERAL.—Subsection (b) of section 11 is amended to read as follows:

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) shall be 21 percent of taxable income.”.

(b) CONFORMING AMENDMENTS.—

(1) The following sections are each amended by striking “section 11(b)(1)” and inserting “section 11(b)”:

(A) Section 280C(c)(3)(B)(ii)(II).

(B) Paragraphs (2)(B) and (6)(A)(ii) of section 860E(e).

(C) Section 7874(e)(1)(B).

(2)(A) Part I of subchapter P of chapter 1 is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 12 is amended by striking paragraphs (4) and (6), and by redesignating paragraph (5) as paragraph (4).

(C) Section 453A(c)(3) is amended by striking “or 1201 (whichever is appropriate)”.

(D) Section 527(b) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed” and inserting:

“(b) TAX IMPOSED.—A tax”.

(E) Sections 594(a) is amended by striking “taxes imposed by section 11 or 1201(a)” and inserting “tax imposed by section 11”.

(F) Section 691(c)(4) is amended by striking “1201”.

(G) Section 801(a) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed” and inserting:

“(a) TAX IMPOSED.—A tax”.

(H) Section 831(e) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(I) Sections 832(c)(5) and 834(b)(1)(D) are each amended by striking “sec. 1201 and following”.

(J) Section 852(b)(3)(A) is amended by striking “section 1201(a)” and inserting “section 11(b)”.

(K) Section 857(b)(3) is amended—

(i) by striking subparagraph (A) and redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively,

(ii) in subparagraph (C), as so redesignated—

(I) by striking “subparagraph (A)(ii)” in clause (i) thereof and inserting “paragraph (1)”,

**PART III—COST RECOVERY AND ACCOUNTING  
METHODS**

**Subpart A—Cost Recovery**

**SEC. 13201. TEMPORARY 100-PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.**

(a) INCREASED EXPENSING.—

(1) IN GENERAL.—Section 168(k) is amended—

(A) in paragraph (1)(A), by striking “50 percent” and inserting “the applicable percentage”, and

(B) in paragraph (5)(A)(i), by striking “50 percent” and inserting “the applicable percentage”.

(2) APPLICABLE PERCENTAGE.—Paragraph (6) of section 168(k) is amended to read as follows:

“(6) APPLICABLE PERCENTAGE.—For purposes of this subsection—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘applicable percentage’ means—

“(i) in the case of property placed in service after September 27, 2017, and before January 1, 2023, 100 percent,

“(ii) in the case of property placed in service after December 31, 2022, and before January 1, 2024, 80 percent,

“(iii) in the case of property placed in service after December 31, 2023, and before January 1, 2025, 60 percent,

“(iv) in the case of property placed in service after December 31, 2024, and before January 1, 2026, 40 percent, and

“(v) in the case of property placed in service after December 31, 2025, and before January 1, 2027, 20 percent.

“(B) RULE FOR PROPERTY WITH LONGER PRODUCTION PERIODS.—In the case of property described in subparagraph (B) or (C) of paragraph (2), the term ‘applicable percentage’ means—

“(i) in the case of property placed in service after September 27, 2017, and before January 1, 2024, 100 percent,

“(ii) in the case of property placed in service after December 31, 2023, and before January 1, 2025, 80 percent,

“(iii) in the case of property placed in service after December 31, 2024, and before January 1, 2026, 60 percent,

“(iv) in the case of property placed in service after December 31, 2025, and before January 1, 2027, 40 percent, and

“(v) in the case of property placed in service after December 31, 2026, and before January 1, 2028, 20 percent.

“(C) RULE FOR PLANTS BEARING FRUITS AND NUTS.—In the case of a specified plant described in paragraph (5), the term ‘applicable percentage’ means—

“(i) in the case of a plant which is planted or grafted after September 27, 2017, and before January 1, 2023, 100 percent,

“(ii) in the case of a plant which is planted or grafted after December 31, 2022, and before January 1, 2024, 80 percent,

“(iii) in the case of a plant which is planted or grafted after December 31, 2023, and before January 1, 2025, 60 percent,

“(iv) in the case of a plant which is planted or grafted after December 31, 2024, and before January 1, 2026, 40 percent, and

“(v) in the case of a plant which is planted or grafted after December 31, 2025, and before January 1, 2027, 20 percent.”.

(3) CONFORMING AMENDMENT.—

(A) Paragraph (5) of section 168(k) is amended by striking subparagraph (F).

(B) Section 168(k) is amended by adding at the end the following new paragraph:

“(8) PHASE DOWN.—In the case of qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017, paragraph (6) shall be applied by substituting for each percentage therein—

“(A) ‘50 percent’ in the case of—

“(i) property placed in service before January 1, 2018, and

“(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2018,

“(B) ‘40 percent’ in the case of—

“(i) property placed in service in 2018 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

“(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2019,

“(C) ‘30 percent’ in the case of—

“(i) property placed in service in 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

“(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2020, and

“(D) ‘0 percent’ in the case of—

“(i) property placed in service after 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

“(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service after 2020.”.

(b) EXTENSION.—

(1) IN GENERAL.—Section 168(k) is amended—

(A) in paragraph (2)—

(i) in subparagraph (A)(iii), clauses (i)(III) and (ii) of subparagraph (B), and subparagraph (E)(i), by striking “January 1, 2020” each place it appears and inserting “January 1, 2027”, and

(ii) in subparagraph (B)—

(I) in clause (i)(II), by striking “January 1, 2021” and inserting “January 1, 2028”, and

(II) in the heading of clause (ii), by striking “PRE-JANUARY 1, 2020” and inserting “PRE-JANUARY 1, 2027”, and

(B) in paragraph (5)(A), by striking “January 1, 2020” and inserting “January 1, 2027”.

(2) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 460(c)(6)(B) is amended by striking “January 1, 2020 (January 1, 2021” and inserting “January 1, 2027 (January 1, 2028”.

(B) The heading of section 168(k) is amended by striking “ACQUIRED AFTER DECEMBER 31, 2007, AND BEFORE JANUARY 1, 2020”.

(c) APPLICATION TO USED PROPERTY.—

(1) IN GENERAL.—Section 168(k)(2)(A)(ii) is amended to read as follows:

“(ii) the original use of which begins with the taxpayer or the acquisition of which by the taxpayer meets the requirements of clause (i) of subparagraph (E), and”.

(2) ACQUISITION REQUIREMENTS.—Section 168(k)(2)(E)(ii) is amended to read as follows:

“(ii) ACQUISITION REQUIREMENTS.—An acquisition of property meets the requirements of this clause if—

“(I) such property was not used by the taxpayer at any time prior to such acquisition, and

“(II) the acquisition of such property meets the requirements of paragraphs (2)(A), (2)(B), (2)(C), and (3) of section 179(d).”.

(3) ANTI-ABUSE RULES.—Section 168(k)(2)(E) is further amended by amending clause (iii)(I) to read as follows:

“(I) property is used by a lessor of such property and such use is the lessor’s first use of such property.”.

(d) EXCEPTION FOR CERTAIN PROPERTY.—Section 168(k), as amended by this section, is amended by adding at the end the following new paragraph:

“(9) EXCEPTION FOR CERTAIN PROPERTY.—The term ‘qualified property’ shall not include—

“(A) any property which is primarily used in a trade or business described in clause (iv) of section 163(j)(7)(A), or

“(B) any property used in a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.”.

(e) SPECIAL RULE.—Section 168(k), as amended by this section, is amended by adding at the end the following new paragraph:

“(10) SPECIAL RULE FOR PROPERTY PLACED IN SERVICE DURING CERTAIN PERIODS.—

“(A) IN GENERAL.—In the case of qualified property placed in service by the taxpayer during the first taxable year ending after September 27, 2017, if the taxpayer elects to have this paragraph apply for such taxable year,

paragraphs (1)(A) and (5)(A)(i) shall be applied by substituting ‘50 percent’ for ‘the applicable percentage’.

“(B) FORM OF ELECTION.—Any election under this paragraph shall be made at such time and in such form and manner as the Secretary may prescribe.”

(f) COORDINATION WITH SECTION 280F.—Clause (iii) of section 168(k)(2)(F) is amended by striking “placed in service by the taxpayer after December 31, 2017” and inserting “acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017”.

(g) QUALIFIED FILM AND TELEVISION AND LIVE THEATRICAL PRODUCTIONS.—

(1) IN GENERAL.—Clause (i) of section 168(k)(2)(A), as amended by section 13204, is amended—

(A) in subclause (II), by striking “or”,

(B) in subclause (III), by adding “or” after the comma,

and

(C) by adding at the end the following:

“(IV) which is a qualified film or television production (as defined in subsection (d) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection, or

“(V) which is a qualified live theatrical production (as defined in subsection (e) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection.”

(2) PRODUCTION PLACED IN SERVICE.—Paragraph (2) of section 168(k) is amended by adding at the end the following:

“(H) PRODUCTION PLACED IN SERVICE.—For purposes of subparagraph (A)—

“(i) a qualified film or television production shall be considered to be placed in service at the time of initial release or broadcast, and

“(ii) a qualified live theatrical production shall be considered to be placed in service at the time of the initial live staged performance.”

(h) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided by paragraph (2), the amendments made by this section shall apply to property which—

(A) is acquired after September 27, 2017, and

(B) is placed in service after such date.

For purposes of the preceding sentence, property shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition.

(2) SPECIFIED PLANTS.—The amendments made by this section shall apply to specified plants planted or grafted after September 27, 2017.

**SEC. 13202. MODIFICATIONS TO DEPRECIATION LIMITATIONS ON LUXURY AUTOMOBILES AND PERSONAL USE PROPERTY.**

(a) LUXURY AUTOMOBILES.—

(1) IN GENERAL.—280F(a)(1)(A) is amended—

(A) in clause (i), by striking “\$2,560” and inserting “\$10,000”,

(B) was prohibited under the Internal Revenue Code of 1986 prior to such amendments and is permitted under such Code after such amendments.

(e) SPECIAL RULES FOR ORIGINAL ISSUE DISCOUNT.—Notwithstanding subsection (c), in the case of income from a debt instrument having original issue discount—

(1) the amendments made by this section shall apply to taxable years beginning after December 31, 2018, and

(2) the period for taking into account any adjustments under section 481 by reason of a qualified change in method of accounting (as defined in subsection (d)) shall be 6 years.

## **PART IV—BUSINESS-RELATED EXCLUSIONS AND DEDUCTIONS**

### **SEC. 13301. LIMITATION ON DEDUCTION FOR INTEREST.**

(a) IN GENERAL.—Section 163(j) is amended to read as follows:

“(j) LIMITATION ON BUSINESS INTEREST.—

“(1) IN GENERAL.—The amount allowed as a deduction under this chapter for any taxable year for business interest shall not exceed the sum of—

“(A) the business interest income of such taxpayer for such taxable year,

“(B) 30 percent of the adjusted taxable income of such taxpayer for such taxable year, plus

“(C) the floor plan financing interest of such taxpayer for such taxable year.

The amount determined under subparagraph (B) shall not be less than zero.

“(2) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The amount of any business interest not allowed as a deduction for any taxable year by reason of paragraph (1) shall be treated as business interest paid or accrued in the succeeding taxable year.

“(3) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable year, paragraph (1) shall not apply to such taxpayer for such taxable year. In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if such taxpayer were a corporation or partnership.

“(4) APPLICATION TO PARTNERSHIPS, ETC.—

“(A) IN GENERAL.—In the case of any partnership—

“(i) this subsection shall be applied at the partnership level and any deduction for business interest shall be taken into account in determining the non-separately stated taxable income or loss of the partnership, and

“(ii) the adjusted taxable income of each partner of such partnership—

“(I) shall be determined without regard to such partner's distributive share of any items of income, gain, deduction, or loss of such partnership, and

“(II) shall be increased by such partner’s distributive share of such partnership’s excess taxable income.

For purposes of clause (ii)(II), a partner’s distributive share of partnership excess taxable income shall be determined in the same manner as the partner’s distributive share of nonseparately stated taxable income or loss of the partnership.

“(B) SPECIAL RULES FOR CARRYFORWARDS.—

“(i) IN GENERAL.—The amount of any business interest not allowed as a deduction to a partnership for any taxable year by reason of paragraph (1) for any taxable year—

“(I) shall not be treated under paragraph (2) as business interest paid or accrued by the partnership in the succeeding taxable year, and

“(II) shall, subject to clause (ii), be treated as excess business interest which is allocated to each partner in the same manner as the nonseparately stated taxable income or loss of the partnership.

“(ii) TREATMENT OF EXCESS BUSINESS INTEREST ALLOCATED TO PARTNERS.—If a partner is allocated any excess business interest from a partnership under clause (i) for any taxable year—

“(I) such excess business interest shall be treated as business interest paid or accrued by the partner in the next succeeding taxable year in which the partner is allocated excess taxable income from such partnership, but only to the extent of such excess taxable income, and

“(II) any portion of such excess business interest remaining after the application of subclause (I) shall, subject to the limitations of subclause (I), be treated as business interest paid or accrued in succeeding taxable years.

For purposes of applying this paragraph, excess taxable income allocated to a partner from a partnership for any taxable year shall not be taken into account under paragraph (1)(A) with respect to any business interest other than excess business interest from the partnership until all such excess business interest for such taxable year and all preceding taxable years has been treated as paid or accrued under clause (ii).

“(iii) BASIS ADJUSTMENTS.—

“(I) IN GENERAL.—The adjusted basis of a partner in a partnership interest shall be reduced (but not below zero) by the amount of excess business interest allocated to the partner under clause (i)(II).

“(II) SPECIAL RULE FOR DISPOSITIONS.—If a partner disposes of a partnership interest, the adjusted basis of the partner in the partnership interest shall be increased immediately before the disposition by the amount of the excess (if any) of the amount of the basis reduction under subclause (I) over the portion of any excess business



interest allocated to the partner under clause (i)(II) which has previously been treated under clause (ii) as business interest paid or accrued by the partner. The preceding sentence shall also apply to transfers of the partnership interest (including by reason of death) in a transaction in which gain is not recognized in whole or in part. No deduction shall be allowed to the transferor or transferee under this chapter for any excess business interest resulting in a basis increase under this subclause.

“(C) EXCESS TAXABLE INCOME.—The term ‘excess taxable income’ means, with respect to any partnership, the amount which bears the same ratio to the partnership’s adjusted taxable income as—

“(i) the excess (if any) of—

“(I) the amount determined for the partnership under paragraph (1)(B), over

“(II) the amount (if any) by which the business interest of the partnership, reduced by the floor plan financing interest, exceeds the business interest income of the partnership, bears to

“(ii) the amount determined for the partnership under paragraph (1)(B).

“(D) APPLICATION TO S CORPORATIONS.—Rules similar to the rules of subparagraphs (A) and (C) shall apply with respect to any S corporation and its shareholders.

“(5) BUSINESS INTEREST.—For purposes of this subsection, the term ‘business interest’ means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)).

“(6) BUSINESS INTEREST INCOME.—For purposes of this subsection, the term ‘business interest income’ means the amount of interest includible in the gross income of the taxpayer for the taxable year which is properly allocable to a trade or business. Such term shall not include investment income (within the meaning of subsection (d)).

“(7) TRADE OR BUSINESS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘trade or business’ shall not include—

“(i) the trade or business of performing services as an employee,

“(ii) any electing real property trade or business,

“(iii) any electing farming business, or

“(iv) the trade or business of the furnishing or sale of—

“(I) electrical energy, water, or sewage disposal services,

“(II) gas or steam through a local distribution system, or

“(III) transportation of gas or steam by pipeline,

if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, by a public service or public utility commission or other similar

body of any State or political subdivision thereof, or by the governing or ratemaking body of an electric cooperative.

“(B) ELECTING REAL PROPERTY TRADE OR BUSINESS.—For purposes of this paragraph, the term ‘electing real property trade or business’ means any trade or business which is described in section 469(c)(7)(C) and which makes an election under this subparagraph. Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable.

“(C) ELECTING FARMING BUSINESS.—For purposes of this paragraph, the term ‘electing farming business’ means—

“(i) a farming business (as defined in section 263A(e)(4)) which makes an election under this subparagraph, or

“(ii) any trade or business of a specified agricultural or horticultural cooperative (as defined in section 199A(g)(2)) with respect to which the cooperative makes an election under this subparagraph.

Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable.

“(8) ADJUSTED TAXABLE INCOME.—For purposes of this subsection, the term ‘adjusted taxable income’ means the taxable income of the taxpayer—

“(A) computed without regard to—

“(i) any item of income, gain, deduction, or loss which is not properly allocable to a trade or business,

“(ii) any business interest or business interest income,

“(iii) the amount of any net operating loss deduction under section 172,

“(iv) the amount of any deduction allowed under section 199A, and

“(v) in the case of taxable years beginning before January 1, 2022, any deduction allowable for depreciation, amortization, or depletion, and

“(B) computed with such other adjustments as provided by the Secretary.

“(9) FLOOR PLAN FINANCING INTEREST DEFINED.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘floor plan financing interest’ means interest paid or accrued on floor plan financing indebtedness.

“(B) FLOOR PLAN FINANCING INDEBTEDNESS.—The term ‘floor plan financing indebtedness’ means indebtedness—

“(i) used to finance the acquisition of motor vehicles held for sale or lease, and

“(ii) secured by the inventory so acquired.

“(C) MOTOR VEHICLE.—The term ‘motor vehicle’ means a motor vehicle that is any of the following:

“(i) Any self-propelled vehicle designed for transporting persons or property on a public street, highway, or road.

“(ii) A boat.

“(iii) Farm machinery or equipment.

“(10) CROSS REFERENCES.—

“(A) For requirement that an electing real property trade or business use the alternative depreciation system, see section 168(g)(1)(F).

“(B) For requirement that an electing farming business use the alternative depreciation system, see section 168(g)(1)(G).”

(b) TREATMENT OF CARRYFORWARD OF DISALLOWED BUSINESS INTEREST IN CERTAIN CORPORATE ACQUISITIONS.—

(1) IN GENERAL.—Section 381(c) is amended by inserting after paragraph (19) the following new paragraph:

“(20) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The carryover of disallowed business interest described in section 163(j)(2) to taxable years ending after the date of distribution or transfer.”

(2) APPLICATION OF LIMITATION.—Section 382(d) is amended by adding at the end the following new paragraph:

“(3) APPLICATION TO CARRYFORWARD OF DISALLOWED INTEREST.—The term ‘pre-change loss’ shall include any carryover of disallowed interest described in section 163(j)(2) under rules similar to the rules of paragraph (1).”

(3) CONFORMING AMENDMENT.—Section 382(k)(1) is amended by inserting after the first sentence the following: “Such term shall include any corporation entitled to use a carryforward of disallowed interest described in section 381(c)(20).”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

**SEC. 13302. MODIFICATION OF NET OPERATING LOSS DEDUCTION.**

(a) LIMITATION ON DEDUCTION.—

(1) IN GENERAL.—Section 172(a) is amended to read as follows:

“(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

“(1) the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, or

“(2) 80 percent of taxable income computed without regard to the deduction allowable under this section.

For purposes of this subtitle, the term ‘net operating loss deduction’ means the deduction allowed by this subsection.”

(2) COORDINATION OF LIMITATION WITH CARRYBACKS AND CARRYOVERS.—Section 172(b)(2) is amended by striking “shall be computed—” and all that follows and inserting “shall—

“(A) be computed with the modifications specified in subsection (d) other than paragraphs (1), (4), and (5) thereof, and by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter,

“(B) not be considered to be less than zero, and

“(C) not exceed the amount determined under subsection (a)(2) for such prior taxable year.”

(3) CONFORMING AMENDMENT.—Section 172(d)(6) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and

**Advice Letter No. 1092**  
**Attachment B**

Calculation of Tax Factor  
Effective Beginning January 1, 2019 and thereafter

**SOUTHWEST GAS CORPORATION**  
**ATTACHMENT B TO ADVICE LETTER NO. 1092**  
**(PURSUANT TO THE TAX CUTS AND JOBS ACT OF 2017)**  
**CALIFORNIA GROSS-UP COMPUTATION INCLUDING CALIFORNIA INCOME TAXES**  
**\*BASED ON 21% FED INCOME TAX RATE; REGULAR MACRS AND \$1,000 CONTRIBUTION**  
**CPUC DECISIONS 87-09-026 AND 87-12-028**

Year	Tax Pmt/(Ben) Reflecting CIAC of \$1000	Tax Basis	California Depreciation Rates	California Rates	State Tax Benefit	MACRS 20-Year Tax Depr Rate	Federal Tax Rate	Federal Tax Benefit	Remaining CIAC Payable	Wtd Avg Unrecovered Tax Payment	Rate of Return	Revenue Requirement on Remaining Investment	Discount Factor 12.00%	Discounted Revenue Requirement on Remaining Investment
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	298.40	1,000	2.857%	8.840%	2.5256	3.750%	21.00%	7.8750	287.9994	293.1997	17.00%	49.8440	0.8929	44.5035
2	(18.37)		5.551%		4.9071	7.219%		14.6295	250.0891	269.0442	17.00%	45.7375	0.7972	36.4617
3			5.234%		4.6269	6.677%		12.9912	232.4710	241.2890	17.00%	41.0176	0.7118	29.1955
4			4.935%		4.3625	6.177%		11.6108	216.1084	224.2897	17.00%	38.1293	0.6355	24.2318
5			4.653%		4.1133	5.713%		11.0812	200.9140	208.5112	17.00%	35.4469	0.5674	20.1135
6			4.387%		3.8781	5.285%		10.2347	186.8012	193.8576	17.00%	32.9558	0.5066	16.9964
7			4.137%		3.6571	4.888%		9.4504	173.6937	180.2474	17.00%	30.6421	0.4523	13.8609
8			3.901%		3.4485	4.522%		8.7282	161.5170	167.6053	17.00%	28.4929	0.4039	11.5078
9			3.678%		3.2514	4.222%		8.0640	149.6196	155.5683	17.00%	26.4466	0.3606	9.5369
10			3.468%		3.0657	4.061%		7.4511	137.8686	143.7441	17.00%	24.4365	0.3220	7.8679
11			3.270%		2.8907	4.462%		8.7264	126.2515	132.0600	17.00%	22.4502	0.2875	6.4539
12			3.084%		2.7263	4.461%		8.7611	114.7642	120.5078	17.00%	20.4863	0.2567	5.2583
13			2.908%		2.5707	4.462%		8.7977	103.3958	109.0800	17.00%	18.5436	0.2292	4.2497
14			2.742%		2.4239	4.461%		8.8283	92.1436	97.7697	17.00%	16.6209	0.2046	3.4010
15			2.585%		2.2851	4.462%		8.8612	80.9973	86.5705	17.00%	14.7170	0.1827	2.6887
16			2.438%		2.1552	4.461%		8.8882	69.9539	75.4756	17.00%	12.8309	0.1631	2.0930
17			2.299%		2.0323	4.462%		8.9176	59.0040	64.4789	17.00%	10.9614	0.1456	1.5965
18			2.168%		1.9165	4.461%		8.9413	48.1462	53.5751	17.00%	9.1078	0.1300	1.1844
19			2.040%		1.8034	4.462%		8.9677	37.3751	42.7606	17.00%	7.2693	0.1161	0.8440
20			2.040%		1.8034	4.461%		8.9894	26.5823	31.9787	17.00%	5.4364	0.1037	0.5636
21			2.040%		1.8034	2.231%		4.3064	20.4726	23.5274	17.00%	3.9997	0.0926	0.3702
22			2.040%		1.8034			(0.3787)	19.0479	19.7602	17.00%	3.3592	0.0826	0.2776
23			2.040%		1.8034			(0.3787)	17.6232	18.3356	17.00%	3.1170	0.0738	0.2300
24			2.040%		1.8034			(0.3787)	16.1986	16.9109	17.00%	2.8749	0.0659	0.1894
25			2.040%		1.8034			(0.3787)	14.7739	15.4863	17.00%	2.6327	0.0588	0.1549
26			2.040%		1.8034			(0.3787)	13.3493	14.0616	17.00%	2.3905	0.0525	0.1255
27			2.040%		1.8034			(0.3787)	11.9246	12.6370	17.00%	2.1483	0.0469	0.1007
28			2.040%		1.8034			(0.3787)	10.5000	11.2123	17.00%	1.9061	0.0419	0.0798
29			2.040%		1.8034			(0.3787)	9.0753	9.7876	17.00%	1.6639	0.0374	0.0622
30			2.040%		1.8034			(0.3787)	7.6507	8.3630	17.00%	1.4217	0.0334	0.0475
31			2.040%		1.8034			(0.3787)	6.2260	6.9383	17.00%	1.1795	0.0298	0.0352
32			2.040%		1.8034			(0.3787)	4.8014	5.5137	17.00%	0.9373	0.0266	0.0249
33			2.040%		1.8034			(0.3787)	3.3767	4.0890	17.00%	0.6951	0.0238	0.0165
34			2.040%		1.8034			(0.3787)	1.9520	2.6644	17.00%	0.4529	0.0212	0.0096
35			2.040%		1.8034			(0.3787)	0.5274	1.2397	17.00%	0.2108	0.0189	0.0040
36			1.025%		0.9061			(0.3787)	0.0000	0.2637	17.00%	0.0448	0.0169	0.0008

	280.03	1,000.00	100.000%	88.4000	191.6263	100.000%	520.6072	244.0379	24.40%
									24%



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southwest Gas Corporation (U 905 G)

Utility type:

- ELC       GAS       WATER  
 PLC       HEAT

Contact Person: Valerie J. Ontiveroz

Phone #: 702 876-7323

E-mail: valerie.ontiveroz@swgas.com

E-mail Disposition Notice to: valerie.ontiveroz@swgas.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas      WATER = Water  
 PLC = Pipeline      HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 1092

Tier Designation: Tier 1

Subject of AL: To revise Preliminary Statement 13 of Southwest Gas' California Tariff to reflect a change to the tax factor used to calculate the Income Tax Component of Contributions and Advances (ITCCA) to 24% beginning January 1, 2019, and thereafter, due to H.R.1, Tax Cuts and Jobs Act (TCJA).

Keywords (choose from CPUC listing): Affiliate

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: Not applicable

Summarize differences between the AL and the prior withdrawn or rejected AL: Not Applicable

Confidential treatment requested?  Yes  No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes  No

Requested effective date: 12/28/18

No. of tariff sheets: 1

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: N/A

Service affected and changes proposed<sup>1</sup>: See 'Subject of AL' above

Pending advice letters that revise the same tariff sheets: Not applicable

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name: Mr. Justin Lee Brown  
Title: Senior Vice-President/General Counsel  
Utility Name: Southwest Gas Corporation  
Address: P. O. Box 98510  
City: Las Vegas State: Nevada  
Telephone (xxx) xxx-xxxx: 702-876-7183  
Facsimile (xxx) xxx-xxxx: 702-364-3452  
Email: [justin.brown@swgas.com](mailto:justin.brown@swgas.com)

Name:  
Title:  
Utility Name:  
Address:  
City: State: Nevada  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

Clear Form