

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



April 7, 2008

Advice Letter 796

John P. Hester, Sr. Vice-President  
Regulatory Affairs and Energy Resources  
Southwest Gas Corporation  
P O Box 98510  
Las Vegas, NV 89193-8510

Subject: To Revise the Tax Factor in Southwest's ITCCA  
(Preliminary Statement) in Accordance with the  
Economic Stimulus Act of 2008

Dear Mr. Hester:

Advice Letter 796 is effective March 1, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director  
Energy Division



## SOUTHWEST GAS CORPORATION

Roger C. Montgomery, Vice President/Pricing

March 6, 2008

California Public Utilities Commission  
Energy Division  
Attention: Sean Gallagher, Director  
505 Van Ness Avenue, Room 4004  
San Francisco, CA 94102

Subject: Southwest Gas Corporation (U 905 G)  
Advice Letter No. 796

Dear Mr. Gallagher:

Enclosed herewith are five (5) copies of Southwest Gas Corporation's Advice Letter No. 796, together with: 1) California Gas Tariff P.U.C. Sheet Nos. 6618-G through 6619-G; and 2) California – South Lake Tahoe Gas Tariff P.U.C. Sheet No. 13.

Sincerely,

Roger C. Montgomery

RCM:vo  
Enclosures



# SOUTHWEST GAS CORPORATION

Advice Letter No. 796

March 6, 2008

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Southwest Gas Corporation (Southwest) (U 905 G) hereby tenders for filing the following tariff sheets.

### California Gas Tariff

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
6618-G	Preliminary Statements ( <i>Continued</i> )	5737-G
6619-G	Table of Contents	6608-G

### California – South Lake Tahoe Gas Tariff

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
First Revised Sheet No. 13	Preliminary Statements ( <i>Continued</i> )	Original Revised Sheet No. 13

#### Purpose

The purpose of this filing is to adjust the tax factors reflected in the Preliminary Statements of Southwest's California Gas Tariff and South Lake Tahoe Gas Tariff to recover the cost of Federal Income Taxes applicable to customer-contributed facilities pursuant to Ordering Paragraph 7 of Decision (D.) 87-09-026 issued in Order Instituting Investigation 86-11-019.

D.87-09-026 directs utilities to submit to the California Public Utilities Commission (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. As such, Southwest is revising its tax factors to reflect a recent change in the Federal Depreciation Provisions of the Internal Revenue Code (Code), pursuant to H.R. 1540 - Economic Stimulus Act of 2008 (Act), signed by the President on February 13, 2008. Section 103 of the Act modifies IRC Section 168(k) allowing for 50% bonus depreciation for certain property. As a result of this change, Southwest's tax factor has decreased from 1.35 to 1.20.

#### Effective Date

Southwest believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 pursuant to General Order 96-B. Southwest



Advice Letter No. 796  
Page 2  
March 6, 2008

respectfully requests the rate changes proposed herein be approved with an effective date March 1, 2008, to coincide with the effective date requested by California's other utilities, and remain in effect until Southwest's next such filing with the Commission.

**Protest**

Anyone wishing to protest this filing may do so by sending a letter within 20 days of the filing. The protest should set forth the grounds upon which it is based and should be submitted expeditiously. There is no restriction on who may file a protest. Protests should be mailed to:

Investigation, Monitoring & Compliance Program Manager  
California Public Utilities Commission, Energy Division  
505 Van Ness Avenue, Room 4002  
San Francisco, CA 94102  
Facsimile: 415-703-2200

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

Mr. John P. Hester, Senior Vice-President  
Regulatory Affairs and Energy Resources  
Southwest Gas Corporation  
P.O. Box 98510  
Las Vegas, Nevada 89193-8510  
Facsimile: 702-876-7037

**Notice**

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

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By   
Roger C. Montgomery

Attachments

DISTRIBUTION LIST

Advice Letter No. 796

In Conformance with G.O. 96-B, General Rule 4.3

Southern California Edison Company

Pacific Gas & Electric Company

Sierra Pacific Power Company

San Diego Gas & Electric Company

Southern California Gas Company

Southern California Water Company

R. Thomas Beach

Duane Morris, LLP

Director/Division of Ratepayer Advocates

PRELIMINARY STATEMENTS  
(Continued)

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

13C. APPLICABILITY

Federal Income Taxes and California Franchise Taxes 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 Utility 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 tax factor to be applied to applicant's Contributions and Advances to establish a total of applicant's Contributions and Advances plus taxes is: (a) 1.35 through and including September 10, 2001; (b) 1.27 from September 11, 2001 through and including August 19, 2003; (c) 1.22 from August 20, 2003 through and including December 31, 2004; (d) 1.35 from January 1, 2005 through and including February 29, 2008; and (e) 1.20 on and after March 1, 2008. 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 OII 86-11-019.

13E. TAX FACTOR ADJUSTMENT

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.b of Rule No. 16, Gas Service Extensions.

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

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PRELIMINARY STATEMENTS

(Continued)

9. ECONOMIC CARRYING CHARGE

A. General

The Economic Carrying Charge is a one-time carrying charge applicable to the customer-contributed portion of the main extensions, service extensions, or any other facilities. The charge is computed in accordance with Method 5 as ordered in CPUC Decision No. 87-09-026 (I.86-11-019). Customer contributions shall include but not be limited to cash, services, facilities, labor and property provided by a person or agency to the Company. The value of all contributions shall be based on the Company's estimates. Contributions shall consist of two components for the purpose of recording transactions as follows:

1. Economic Carrying Charge of contributions, and
2. The balance of the contributions, excluding the Economic Carrying Charge.

The Tax Reform Act of 1986 treats all customer-contributed facilities as income to the Company and, therefore, subject to Federal Income Tax. The Company pays the income tax in the year of receipt. The income tax paid by the Company is, then, recovered over the life of the facilities by means of the tax deductions for depreciation expense. Since it will be many years before the Company will recover the tax in full, the CPUC has mandated that the Company charge the customer the present value of the stream of carrying costs associated with the yet-to-be recovered portion of the income tax. The present value discount rate and the carrying charge rate, referenced above, used in the computation are as published for statewide use by the CPUC.

B. Determination of Economic Carrying Charge

1. The Economic Carrying Charge shall be calculated by multiplying the balance of the contribution by the tax factor. The tax factor to be applied to the balance of the contribution is (a) 28 percent through and including February 29, 2008; and (b) 20 percent on and after March 1, 2008. The Company will file by advice letter any changes in the tax factor which would cause an increase or decrease in the Economic Carrying Charge of five percentage points or more.
2. The tax factor is established by using Method 5 as set forth in Decision No. 87-09-026.

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**SOUTHWEST GAS CORPORATION**  
Attachment to Advice Letter 796

**CALIFORNIA GROSS-UP COMPUTATION INCLUDING CALIFORNIA INCOME TAXES**  
**WITH 50% BONUS DEPRECIATION ON 15 YEAR PROPERTY**  
**CPUC DECISION 87-09-026**

Year	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
	Tax Pmt/(Ben) Reflecting CIAC of \$1,000	Tax Basis	California Depreciation Rates	California Rates	State Tax Benefit	MACRS Tax Depreciation Rate[1]	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	
1	438.40	1,000	2.857%	8.840%	2,5256	52.500%	35.00%	183,7500	252,1244	345,2622	17.00%	58,6946	0.8929	52,4059	
2	(30.94)		5.511%		4,9071	4.750%		15,7410	200,5363	226,3304	17.00%	38,4762	0.7972	30,6730	
3			5.234%		4,6269	4.275%		13,2450	182,6644	191,6004	17.00%	32,5721	0.7118	23,1842	
4			4.935%		4,3625	3.850%		11,8556	166,4463	174,5554	17.00%	29,6744	0.6355	18,8686	
5			4.653%		4,1133	3.465%		10,6006	151,7324	159,0894	17.00%	27,0452	0.5674	15,3462	
6			4.387%		3,8781	3.115%		9,4629	138,3915	145,0620	17.00%	24,6605	0.5066	12,4938	
7			4.137%		3,6571	2.950%		8,9677	125,7667	132,0791	17.00%	22,4534	0.4523	10,1568	
8			3.901%		3,4485	2.955%		9,0625	113,2557	119,5112	17.00%	20,3169	0.4039	8,2057	
9			3.678%		3,2514	2.950%		9,1180	100,8863	107,0710	17.00%	18,2021	0.3606	6,5638	
10			3.468%		3,0657	2.955%		9,2045	88,6161	94,7512	17.00%	16,1077	0.3220	5,1862	
11			3.270%		2,8907	2.950%		9,2520	76,4734	82,5447	17.00%	14,0326	0.2875	4,0340	
12			3.084%		2,7263	2.955%		9,3308	64,4164	70,4449	17.00%	11,9756	0.2567	3,0738	
13			2.908%		2,5707	2.950%		9,3708	52,4749	58,4456	17.00%	9,9358	0.2292	2,2770	
14			2.742%		2,4239	2.955%		9,4428	40,6082	46,5416	17.00%	7,9121	0.2046	1,6190	
15			2.585%		2,2851	2.950%		9,4766	28,8464	34,7273	17.00%	5,9036	0.1827	1,0786	
16			2.438%		2,1552	1.475%		4,3627	22,3285	25,5875	17.00%	4,3499	0.1631	0,7096	
17			2.299%		2,0323			(0,7543)	21,0506	21,8895	17.00%	3,6872	0.1456	0,5370	
18			2.168%		1,9165			(0,7113)	19,8453	20,4479	17.00%	3,4762	0.1300	0,4520	
19			2.040%		1,8034			(0,6708)	18,7128	19,2791	17.00%	3,2774	0.1161	0,3805	
20			2.040%		1,8034			(0,6312)	17,5406	18,1267	17.00%	3,0815	0.1037	0,3195	
21			2.040%		1,8034			(0,6312)	16,3684	16,9545	17.00%	2,8823	0.0926	0,2668	
22			2.040%		1,8034			(0,6312)	15,1962	15,7823	17.00%	2,6830	0.0826	0,2217	
23			2.040%		1,8034			(0,6312)	14,0240	14,6101	17.00%	2,4837	0.0738	0,1833	
24			2.040%		1,8034			(0,6312)	12,8518	13,4379	17.00%	2,2844	0.0659	0,1505	
25			2.040%		1,8034			(0,6312)	11,6797	12,2658	17.00%	2,0852	0.0588	0,1227	
26			2.040%		1,8034			(0,6312)	10,5075	11,0936	17.00%	1,8859	0.0525	0,0990	
27			2.040%		1,8034			(0,6312)	9,3353	9,9214	17.00%	1,6866	0.0469	0,0791	
28			2.040%		1,8034			(0,6312)	8,1631	8,7492	17.00%	1,4874	0.0419	0,0623	
29			2.040%		1,8034			(0,6312)	6,9909	7,5770	17.00%	1,2881	0.0374	0,0482	
30			2.040%		1,8034			(0,6312)	5,8187	6,4048	17.00%	1,0888	0.0334	0,0363	
31			2.040%		1,8034			(0,6312)	4,6466	5,2327	17.00%	0,8896	0.0298	0,0265	
32			2.040%		1,8034			(0,6312)	3,4744	4,0605	17.00%	0,6903	0.0266	0,0184	
33			2.040%		1,8034			(0,6312)	2,3022	2,8883	17.00%	0,4910	0.0238	0,0117	
34			2.040%		1,8034			(0,6312)	1,1300	1,7161	17.00%	0,2917	0.0212	0,0062	
35			2.040%		1,8034			(0,6312)	(0,0422)	0,5439	17.00%	0,0925	0.0189	0,0018	
36			1.025%		0,9061			(0,6312)	(0,3171)	(0,1796)	17.00%	(0,0305)	0.0169	(0,0005)	
								(0,3171)	(0,0005)	(0,1588)	17.00%	(0,0270)	1.0000	(0,0270)	
								319,0600		378,0879		198,8620		198,8620	
								407,4600						19,89%	

100.000%      88,4000      100.000%      319,0600      378,0879      198,8620      19,89%

407,46      1,000,00      407,4600      407,4600      /      1000      19,89%

20%

[1] The Economic Stimulus Act of 2008 provides for a temporary 50-percent bonus depreciation on 15-year writeoff for natural gas distribution lines.

C:\Temp\15-yr MACRS 50% Bonus.xls\2008 Bonus 15 year