

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



March 17, 2008

Advice Letter 146-G

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

Subject: Tariff Revisions to Reflect a Decrease in Income
Tax Component of Contribution Tax Factor

Dear Mr. Jazayeri:

Advice Letter 146-G is effective March 1, 2008.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division

February 21, 2008

ADVICE 146-G
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Tariff Revisions to Reflect a Decrease in Income Tax
Component of Contribution Tax Factor

Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariffs to reflect the temporary lower Income Tax Component of Contribution (ITCC) Tax Factor due to a recent tax law change. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

This advice filing revises Preliminary Statement, Part G, Income Tax Component of Contribution Provision, to reflect a decrease in the ITCC Tax Factor from .35 (35%) to 0.20 (20%).

BACKGROUND

SCE's Preliminary Statement, Part G, provides that Contributions in Aid of Construction and Advances for Construction (Contributions) consist of two components: the ITCC and the Balance of the Contribution (Balance of Contribution). The ITCC is calculated by multiplying the Balance of Contribution by the Tax Factor. The Tax Factor is established using Method 5 as set forth in and pursuant to Decision (D.) 87-09-026 in Order Instituting Investigation 86-11-019.

The ITCC Tax Factor is being revised as a result of a recent change in the Federal Depreciation Provisions of the Internal Revenue Code (IRC), pursuant to the Economic Stimulus Act of 2008 (HR 1540; the "Act"), included herein as Attachment B. Section 103 of the Act modifies IRC Section 168(k) allowing for 50% bonus depreciation for certain property.

PROPOSED MODIFICATION

This advice filing revises Section 3.a of Preliminary Statement, Part G, to reflect the temporary reduction of the ITCC Tax Factor from 0.35 to 0.20. The reduced factor shall be applicable to contributions associated with property which qualifies for the bonus depreciation of IRC Section 168(k) and received by SCE on or after March 1, 2008, and before January 1, 2009. Contributions received by SCE prior to the effective date of this advice filing will be subject to the previously applicable ITCC Tax Factor approved by the California Public Utilities Commission (Commission). Following December 31, 2008, SCE proposes that this change in rate terminate, pursuant to the Act, and the ITCC Tax Factor revert to the applicable percentage as set forth in Advice 126-G.

Except as noted above, this filing will not increase or decrease any rate or charge, conflict with any other schedules or rules, or cause the withdrawal of service.

SCE believes that its obligation to begin collecting the reduced ITCC is immediate and therefore requests prompt Commission approval of this advice filing.

TIER DESIGNATION

Pursuant to D.07-01-024, Energy Industry Rule 5.2, this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

Because of this Federal law change, this advice filing will become effective on March 1, 2008.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: inj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section 4 of General Order No. (GO) 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B service list. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-2930. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <http://www.sce.com/AboutSCE/Regulatory/adviceletters>.

For questions, please contact Deborah Klun at (626) 302-9855 or by electronic mail at deborah.klun@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:dk:sq
Enclosures

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.: Southern California Edison Company (U 338-E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 146-G

Tier Designation: 2

Subject of AL: Tariff Revisions to Reflect a Decrease in Income Tax Component of Contribution Tax Factor

Keywords (choose from CPUC listing): Taxes

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: _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

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: 3/1/08

No. of tariff sheets: -2-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

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: Preliminary Statement Part G and Table of Contents

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ 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 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
inj@cpuc.ca.gov and mas@cpuc.ca.gov

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: Karyn.Gansecki@sce.com

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 987-G	Preliminary Statement Part G	Revised 723-G
Revised 988-G	Table of Contents	Revised 961-G

PRELIMINARY STATEMENT

Sheet 7

(Continued)

G. INCOME TAX COMPONENT OF CONTRIBUTION PROVISION

1. General. All Contributions in Aid of Construction and Advances For Construction (Contributions) made to SCE pursuant to its tariffs shall include a cost component to cover SCE's estimated liability for Federal Income Tax resulting therefrom. California Corporate Franchise Tax (CCFT) shall be collected beginning January 10, 1992.

2. Definitions.
 - a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided to SCE by a person or agency. The value of all contributions shall be based on SCE's estimates. Contributions shall consist of two components as follows:
 - (1) Income Tax Component of Contribution (ITCC); and
 - (2) The balance of the Contribution (Balance of Contribution).

 - b. Government Agency: For purposes of administering this part of the Preliminary Statement, a Government Agency shall be a California state, county, or local government agency.

 - c. Public Benefit: Where, in the opinion of SCE, a benefit to the public as a whole is clearly shown by the Government Agency making the Contribution for a project.

3. Determination of ITCC.
 - a. The ITCC shall be calculated by multiplying the Balance of the Contribution by the Tax Factor. If any portion of a Balance of Contribution is received on or after the effective date of Advice 146-G, and before January 1, 2009, and is associated with property which qualifies for the bonus depreciation provisions of Internal Revenue Code section 168(k), then the ITCC on such portion shall be computed by multiplying the amount of such portion by a tax factor of 0.20 (20%). Contributions received prior to the effective date of Advice 146-G, will be subject to the applicable ITCC factors approved by the California Public Utilities Commission. (T)

 - b. The tax factors included herein are established using Method 5 as set forth in and pursuant to the Commission's Decision No. 87-09-026 as modified by Decision No. 87-12-028. Should the Internal Revenue Service (IRS) deem Method 5 to be a violation of the tax normalization rules, any penalties, interest or taxes incurred by SCE shall be recovered through general rates. (T)

(Continued)

(To be inserted by utility)
Advice 146-G
Decision _____

Issued by
Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)
Date Filed Feb 21, 2008
Effective Mar 1, 2008
Resolution _____



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(Continued)

(To be inserted by utility)
 Advice 146-G
 Decision _____

Issued by
Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)
 Date Filed Feb 21, 2008
 Effective Mar 1, 2008
 Resolution _____

Attachment B

SEC. 102. TEMPORARY INCREASE IN LIMITATIONS ON EXPENSING OF CERTAIN DEPRECIABLE BUSINESS ASSETS.

(a) **IN GENERAL.**—Subsection (b) of section 179 of the Internal Revenue Code of 1986 (relating to limitations) is amended by adding at the end the following new paragraph:

“(7) **INCREASE IN LIMITATIONS FOR 2006.**—In the case of any taxable year beginning in 2006—

“(A) the dollar limitation under paragraph (1) shall be \$250,000,

“(B) the dollar limitation under paragraph (2) shall be \$800,000, and

“(C) the amounts described in subparagraphs (A) and (B) shall not be adjusted under paragraph (5).”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 103. SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED DURING 2006.

(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, 2006) 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, 2019”.

(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, 2008".

(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.

TITLE II—HOUSING GSE AND FHA LOAN LIMITS

SEC. 201. TEMPORARY CONFORMING LOAN LIMIT INCREASE FOR FANNIE MAE AND FREDDIE MAC.

(a) INCREASE OF HIGH COST AREAS LIMITS FOR HOUSING GSEs.—For mortgages originated during the period beginning on July 1, 2007, and ending at the end of December 31, 2008:

(1) FANNIE MAE.—With respect to the Federal National Mortgage Association, notwithstanding section 302(b)(2) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(b)(2)), the limitation on the maximum original principal obligation of a mortgage that may be purchased by the Association shall be the higher of—

(A) the limitation for 2008 determined under such section 302(b)(2) for a residence of the applicable size; or

(B) 125 percent of the area median price for a residence of the applicable size, but in no case to exceed 175 percent of the limitation for 2008 determined under such section 302(b)(2) for a residence of the applicable size.

(2) FREDDIE MAC.—With respect to the Federal Home Loan Mortgage Corporation, notwithstanding section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)), the limitation on the maximum original principal