

PRELIMINARY STATEMENT

Sheet 1

M. 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 and State Income Tax resulting there from. SCE shall collect the Federal Income Tax on Contributions made on or after February 11, 1987 for unit costs under Rule 15, and January 1, 1987 for all other Contributions. California Corporate Franchise Tax (CCFT) shall be collected beginning January 1, 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 of 0.22 (22%). The 22 percent Tax Factor shall be applicable to contributions received by SCE on or after January 1, 2012. Contributions received prior to the effective date of Advice 2666-E will be subject to the applicable ITCC factors approved by the California Public Utilities Commission. (I)
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 - b. The Tax Factor is established using Method 5 as set forth in and pursuant to the Commission's Decision No. 87-09-026. 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.

 - c. SCE will file an Advice Letter for any changes which would cause an increase or decrease of five percentage points or more in the ITCC Tax Factor.

(Continued)

(To be inserted by utility)
Advice 2666-E
Decision _____

Issued by
Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)
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