

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: Lake Alpine Water Company

Date Mailed to Service List: Jan 28, 2019

CPUC Utility #: WTD 148

Protest Deadline (20th Day): Feb 16, 2019

Advice Letter #: 117-W

Review Deadline (30th Day): Feb 26, 2019

Tier 1 2 3 Compliance

Requested Effective Date: Feb 1, 2019

D. 87-09-026 in I.86-11-019 & Res.

Authorization W-4263

Rate Impact: 0
0%

Description: Revising Tariff Rule 15 Tax Gross-up Due to
New Federal Income Tax Statute

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: Kimi Johnson

Utility Contact 2:

Phone: 209-753-2409

Phone 2:

Email: info@lakealpinewater.com

Email 2:

DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

DATE

STAFF

COMMENTS

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____



Lake Alpine Water Company

January 27, 2019

Advice Letter No. 117

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA:

LAKE ALPINE WATER COMPANY (LAWC), U148W, hereby transmits for filing one original and one copy of this advice letter (AL) and the following tariff sheets which are enclosed:

<u>C. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
551-W	Rule 15 Main Extension (Continued)	318-W
552-W	Table of Contents	550-W

Request:

By AL 117, LAWC requests permission to update the Rule No. 15 income tax component of Contributions in Aid of Construction (CIAC) and Advances in Aid of Construction (AIAC), as a result of the federal 2018 Tax Cuts and Jobs Act (New Tax Law).

Background:

The New Tax Law was signed into law on December 22, 2017 and is effective as of January 1, 2018. The New Tax Law reclassified CIAC and AIAC as taxable income to public utilities. It also reduced the corporate tax rate from 35% to 21%. The Commission previously addressed a federal income tax law change affecting Rule No. 15 in D.87-09-026 in I.86-11-019 and in Resolution W-4263, dated April 19, 2011.

Tier Designation and Requested Effective Date:

In accordance with Water Industry Rule 7.3.1, this filing is designated as Tier 1. The enclosed tariff sheets are requested to become effective on February 1, 2019.

Discussion:

In D. 87-09-026, the Commission investigated five methods of accounting for a new tax on CIAC. This decision allowed water utilities to use two of those methods depending on company size. Method 2 allowed utilities to gross-up the CIAC by enough money to pay the income tax and charge that amount to the contributor. Lake Alpine Water Company will employ Method 2. Section E 2 of LAWC's Rule No 15 currently has a tax gross up factor of 9.7% for CIAC and AIAC. As the federal income tax rate is now 21% and the California tax rate is 8.84%, the combined tax rates result in a gross-up factor of 38.85%.

Notice:

A copy of this AL has been served to all parties listed on the service list on the last page of this AL. This filing will not cause withdrawal of service nor conflict with any other schedule or rule.



Lake Alpine Water Company

Response or Protest:

Anyone may respond to or protest this AL. A response supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A protest objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) The utility did not properly serve or give notice of the AL;
- (2) The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the AL contain material error or omissions;
- (4) The relief requested in the AL is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
- (6) The relief requested in the AL is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require re-litigating a prior order of the Commission.)

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility.

A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

A response or protest must be made in writing or by electronic mail and must be received by the Division of Water and Audits within 20 days of the date this AL is filed.

The address for mailing or delivering a protest is:

California Public Utilities Commission, Water Division, 3rd Floor
505 Van Ness Avenue, San Francisco, CA 94102

water.division@cpuc.ca.gov

On the same date the response or protest is submitted to the Commission, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

Kimi Johnson, General Manager

Lake Alpine Water Company

PO BOX 5013

Bear Valley, CA 95223

Email: info@lakealpinewater.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Division of Water and Audits, within the 20-day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

Replies:

The utility shall reply to each protest and may reply to any response. Any reply must be received by the Division of Water and Audits within 5 business days after the end of the protest period, and shall be served on the same day to the person who filed the protest or response.

PO Box 5013, Bear Valley, CA 95223
209-753-2409 209-753-2345 FAX
info@lakealpinewater.com

Rule 15
MAIN EXTENSIONS (Continued)

E. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION

1. Contributions in Aid of Construction and Advances for Construction shall include, but are not limited to cash, services, facilities, facilities fees, labor, and income taxes provided by a person or agency to the utility. (C)
The value of non-cash contributions and advances shall be based upon the utility's estimates.
Contributions and advances shall consist of two components for the purpose of recording transactions as follows:

- a. Income Tax Component (ITC), and
- b. The contribution or advance

2. The ITC shall be calculated by multiplying the appropriate portion of the contribution or advance by the tax factor of 38.85%. (C)

3. The ITC will be collected subject to refund, pending the Commission's final determination of the method of accounting for the new tax on advances and contribution. (C)
(C)

4. The utility shall inform the applicant of the final cost of the installation of all facilities and the resulting tax paid thereon. (C)
(C)

5. In the event the utility collects an ITC using an incremental tax rate that is more than the incremental tax rate as determined on a taxable year basis, without consideration of a tax credit or tax loss carry forward, the difference between what was and what should have been collected will be refunded to the applicant. (C)
(C)
(C)

6. The tax factor is established by using Method 2 as set forth in D.87-09-026. (C)

7. The formula to compute Method 2 includes the corporate tax rate of 21% for 2018 and thereafter. (C)

F. The following paragraph will be added under "Refunds" to each of the Utility's Main Extension Contract Forms signed after October 9, 1996 in the forms section of the Utility's tariff book.

"In the event that the Utility collects a gross-up using an incremental tax rate that is more than its incremental tax rate as determined on a taxable year basis, without consideration of a tax credit or tax loss carry forward, the difference between what was and what should have been collected with be refunded to the Applicant."

TABLE OF CONTENTS

The Following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

<u>Subject Matter of Sheet</u>	<u>Cal. P.U.C. Sheet No.</u>	
Title Page	287-W	
Table of Contents	552-W, 513-W	(T)
Preliminary Statement	7-W, 8-W, 491-W, 492-W, 501-W	
Service Area Map	299-W	
 Rate Schedules:		
Schedule No. 1A, Annual Metered Service	549-W, 543-W	
Schedule No. 1B, SDWSRF Loan Surcharge Metered Service	541-W	
Schedule No. 1C, SDWSRF Loan Surcharge Undeveloped Lots	451-W	
Schedule No. 1S, Snow Making Water	536-W	
Schedule No. 4, Private fire Protection Service	462-W, 504-W	
Schedule No. F, Facilities Fees	474-W	
Schedule No. LC, Late Payment Charge	332-W	
Schedule No. UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee	539-W	
List of Contracts & Deviations	537-W	
 Rules:		
No. 1 Definitions	155-W, 156-W	
No. 2 Description of Service	86-W	
No. 3 Application for Service	13-W, 301-W	
No. 4 Contracts	14-W	
No. 5 Special Information Required on Forms	475-W - 477-W	
No. 6 Establishment & Re-establishment of Credit	17-W	
No. 7 Deposits	384-W, 385-W	
No. 8 Notices	270-W, 271-W	
No. 9 Rendering and Payment of Bills	333-W - 334-W	
No. 10 Disputed Bills	478-W, 479-W	
No. 11 Discontinuance & Restoration of Service	335-W - 342-W	
No. 12 Information Available to Public	28-W, 29-W	
No. 13 Temporary Service	30-W, 31-W	
No. 14 Continuity of Service	32-W	
No. 15 Main Extensions	241-W - 253-W, 551-W	(C)
No. 16 Service Connections, Meters, and Customer's Facilities	254-W - 260-W	
No. 17 Standards for Measurement of Service	144-W	
No. 18 Meter Tests and Adjustment of Bills for Meter Error	51-W - 53-W	
No. 19 Service to Separate Premises and Multiple Units, and Resale of Water	173-W, 174-W	
No. 20 Water Conservation	294-W	
No. 21 Fire Protection	295-W	
No. 22 Customer Information Sharing	510-W	

(Continued)

Advice Letter No. 117

Decision No. _____

Issued by
Kimi Johnson
General Manager

Date Filed _____

Effective _____

Resolution No. _____

Lake Alpine Water Company W-148 Service List

Bear Valley Homeowners
Association
paulnordic@sbcglobal.net

Tom Fraser, Bear Valley Resident,
Inc.
tefraser@comcast.net

Alpine County Public Works
dburkett@alpinecountyca.gov

Terry Woodrow, County Supervisor
twoodrow@alpinecountyca.gov

Paul Peterson, Bear Valley Condo
Management Company
paulnordic@sbcglobal.net

Eric Jung, BV Real Estate and Cub
Reporter
eric@bearvalleyrealestate.com

Bear Valley Water District
Jeff.Gouveia@bvwd.ca.gov
jeff@bearvalleyrealestate.com

Joel Barnett, Bear Valley Business
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Anita Taff-Rice, Attorney
anita@icommlaw.com

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Adrian Lund, Skyline Bear Valley
Resort
adrianl@bearvalley.com

Gloria Dralla, RLAWC
ggdralla@pacbell.net

Don Schulz, LAWC Board Member
don@mgib.net

I hereby certify that the above service list has been served a copy of AL 117 on
January 28, 2019

Executed in Bear Valley, California on January 27, 2019 for Lake Alpine Water
Company, Inc.

By: /s/ Kimi Johnson _____

Kimi Johnson
General manager

Enclosures