



**Suburban
Water Systems**

A SouthWest Water Company

1325 N. Grand Ave. Ste. 100, Covina, CA 91724-4044
Phone: 626.543.2500, Fax: 626.331.4848
www.swwc.com

U-339-W

VIA EMAIL

ADVICE LETTER NO. 368-W

April 21, 2022

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Suburban Water Systems (“Suburban”) hereby transmits for filing the following changes in its tariff schedules applicable to its service area and which are attached hereto:

| CPUC SheetNo. | Title of Sheet | Canceling CPUC Sheet No. |
|---------------|-----------------------------------|--------------------------|
| 1848-W | Rule No. 15 (Continued) | 1575-W |
| 1849-W | Rule No. 15 (Continued) | 989-W |
| 1850-W | Preliminary Statement (Continued) | n/a |
| 1851-W | Preliminary Statement (Continued) | n/a |
| 1852-W | Table of Contents | 1846-W |
| 1853-W | Table of Contents (Continued) | 1804-W |

Suburban hereby submits this advice letter to update tariff Rule No. 15 to reflect guidance on facility relocation and rearrangement, and to add a preliminary statement AA – Income Tax Component of Contribution Provision applicable to projects that is not covered by Rule No. 15.

Background

Tariff Rule No. 15 provides income tax gross-up for Contributions In Aid of Construction (CIAC) and Advances In Aid of Construction (AIAC).

Section A.1.a. defines Rule 15 as applying to “All extensions of distribution mains, from the Utility's basic production and transmission system or existing distribution system, to serve new customers...”

Section A.1.c. discusses “extensions under this rule,” and requires an additional deposit from the applicant in situations where there is a reasonable probability that these extensions will have to be relocated in the future. That language only addresses potential future relocation costs for certain main extensions and does not address that all relocations are subject to Tariff Rule No. 15.

Therefore, Suburban adds anew Section E – Facility Relocation or Rearrangement, that specifically addresses this issue in Rule No. 15, and renumbers previous section E to section F.

The renumbered section F of Rule No. 15 addresses gross-up provision for CIAC, and requires that a contributor pay the tax gross-up only on projects that are within the scope of Rule No. 15.

However, there may be situations where water utilities will receive taxable CIAC for projects that are not within the scope of Rule No. 15. In those situations, a dispute may arise between the utility

and the contributor regarding liability for the income tax. To clarify and to avoid future disputes, Suburban proposes to add a tariff provision as preliminary statement AA – Income Tax Component of Contribution Provision applicable to all contributions including those not covered by Rule No. 15.

Tier Designation and Effective Date

Pursuant to General Order (GO) 96-B, Water Industry Rule 7.3.1(3), this advice letter is submitted with a Tier 1 designation.

Suburban requests that the advice letter is effective on April 21, 2022, the date of this advice letter is being filed with the Commission.

Protest and Responses

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

A protest objects to the advice letter 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 advice letter;
- (2) The relief requested in the advice letter 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 advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a prior order of the Commission.)

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 Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
Water.Division@cpuc.ca.gov

On the same date any protest or response is submitted to the Water Division, the respondent or protestant must serve a copy of the protest or response to:

Suburban Water Systems, Kiki Carlson, Regulatory Affairs Manager, 1325 N. Grand Ave., Suite 100, Covina, CA 91724-4044, and email to kcarlson@swwc.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the 20 days 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. Each 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.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

In compliance with General Rule 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, a copy of this advice letter has been mailed or electronically transmitted to all interested and affected parties as detailed in Attachment A.

Sincerely,

/s/Kiki Carlson

Kiki Carlson
Regulatory Affairs Manager

Enclosures

SUBURBAN WATER SYSTEMS
Distribution List

Attachment A

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Director Of Public Works
City of Whittier
13230 E. Penn Street
Whittier, CA 90602

City Clerk
City of West Covina
1444 W. Garvey Ave. South
West Covina, CA 91790

City Attorney
City of Whittier
13230 E. Penn Street
Whittier, CA 90602

City Clerk
City of La Mirada
P.O. Box 828
La Mirada, CA 90638

Michael Gualtieri
La Habra Heights County Water District
P.O. Box 628
La Habra, CA 90633-0628

City Attorney
City of Baldwin Park
14406 E. Pacific Ave.
Baldwin Park, CA 91706

City Clerk
City of Industry
P.O. Box 3366
Industry, CA 91744

County Clerk
Orange County
10 Civic Center Plaza, 3rd. Floor
Santa Ana, CA 92701

City Clerk
City of Covina
125 East College Blvd.
Covina, CA 91723

City Attorney
City of Covina
125 East College Blvd.
Covina, CA 91723

Director of Public Works
City of Buena Park
6650 Beach Blvd.
Buena Park, CA 90621

City of Santa Fe Springs
Department of Public Works
11710 E. Telegraph Road
Santa Fe Springs, CA 90670

Bill Robinson
Upper San Gabriel Valley M.W.D.
1146 East Louisa Avenue
West Covina, CA 91790-1346

City Attorney
City of La Habra
P.O. Box 337
La Habra, CA 90633

City Attorney
City of West Covina
1444 West Garvey Ave. South
West Covina, CA 91790

City Clerk
City of Baldwin Park
14406 E. Pacific Ave.
Baldwin Park, CA 91706

The Prinden Corporation
P.O. Box 712
Park Ridge, NJ 07656-0712

Orchard Dale County Water District
13819 East Telegraph Road
Whittier, CA 90604

SUBURBAN WATER SYSTEMS
Distribution List

City Attorney
City of La Mirada
P.O. Box 828
La Mirada, CA 90638

County Clerk
Los Angeles County
12400 Imperial Hwy, Room 2001
Norwalk, CA 90650

County Counsel
Orange County
10 Civic Center Plaza, 3rd. Floor
Santa Ana, CA 92701

City Clerk
City of La Puente
15900 East Main St.
La Puente, CA 91744

City Clerk
City of Glendora
116 East Foothill Blvd.
Glendora, CA 91741

City Attorney
City of Glendora
116 East Foothill Blvd.
Glendora, CA 91741

City Clerk
City of Walnut
P.O. Box 682
Walnut, CA 91788-0682

City Attorney
City of Walnut
P.O. Box 682
Walnut, CA 91788-0682

Jandy Macias, General Manager
Valley County Water District
JMacias@vcwd.org

Ed Jackson
Liberty Utilities
AdviceLetterService@LibertyUtilities.com

City Attorney
City of Buena Park
pbobko@rwglaw.com

City Attorney
City of Industry
mvadon@bwslaw.com

Rowland Water District
gsanchez@rwd.org

Valencia Heights Water Co.
dmichalko@vhwc.org

California Domestic Water Company
lnoriega@caldomestic.com

Walnut Valley Water District
cfleming@wvwd.com

City Clerk
City of La Habra
cc@lahabraca.gov

California Advocates Office Water Branch
California Public Utilities Commission
PublicAdvocatesWater@cpuc.ca.gov

City of Buena Park
Attn: Water Department
mgrisso@buenapark.com

City Clerk
City of La Puente
sgarcia@lapuente.org

SUBURBAN WATER SYSTEMS
Distribution List

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Chris Banner
South Hills Country Club
2655 S. Citrus Street
West Covina, CA 91791
cbanner@southhillscountryclub.org

Jeff Boand
O'Donnell Chevrolet – Buick
1312 Golden Vista Drive
West Covina, CA 91791
jboand007@aol.com

Ronald Moore
Golden State Water Company
Regulatory Affairs Department
630 E. Foothill Blvd.
San Dimas, CA 91709
RKMoore@gswater.com

The Public Advocates Office
California Public Utilities Commission
Richard.Raushmeier@cpuc.ca.gov
Hani.Moussa@cpuc.ca.gov

Audrey F. Jackson
Golden State Water Company
AFJackson@gswater.com

City of Azusa
Assistant Director – Water Operations
Imacias@AzusaCa.Gov

Rule No. 15
(Continued)

MAIN EXTENSION

- E. Income Tax Component of Contributions and Advances Provision (Continued) (T)
- 4. The formula to compute ITC includes the following factors: (L)
 - a. California Corporate Franchise Tax Rate of 8.84% |
 - b. Federal Income Tax Rate of 21.00% |
 - c. A Discount Rate of 8.61% |
- 5. The ITC tax factor has been derived from the corporate rate and it will remain in effect until the Utility's net taxable income changes to the extent that the tax gross-up rate would increase or decrease by five percentage points or more. When and if that occurs, the Utility will file an advice letter showing the new rates and cancel out this sheet. | (L)
- 6. 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 will be refunded to the Applicant.

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advise Letter No. 368-W

Craig D. Gott

Date Filed _____

Name

Decision No. _____

President

Effective _____

Title

Resolution No. _____

PRELIMINARY STATEMENT
(Continued)

AA. Income Tax Component of Contribution Provision

(N)

1. General:

All Contributions in Aid of Construction and Advances for Construction (Contributions) made to the Utility (1) after December 31, 1985 and before June 13, 1996, or (2) after December 22, 2017, pursuant to its tariffs for purposes of furnishing water related services shall include a cost component to cover the Utility's costs associated with additional Federal Income Taxes resulting therefrom. Contributions made to the Utility on or after January 1, 1992 and before June 13, 1996 shall also include a cost component to cover the Utility's costs associated with additional State Income Taxes resulting therefrom.

2. Definition:

- a. Contributions In Aid of Construction (CIAC) and Advances In Aid of Construction (AIAC) shall include, but not limited to, cash, services, facilities, labor, property, and income taxes thereon provided by a person or agency to the Utility. The value of all contributions and advances shall be based on the Utility's estimates. Contributions and advances shall consist of two components for the purpose of recorded transactions as follows:
 - (1) Income Tax Component (ITC), and
 - (2) The balance of the contribution or advance
- b. Eminent Domain: For purposes of administering this part of the Preliminary Statement, an Eminent Domain Agency is any federal, state, county, or local governmental or quasi-governmental agency that has the general authority or is able readily to obtain the authority to condemn property for public good upon the award and payment of just compensation.
- c. Involuntary Conversion: Where, in the opinion of the Utility, payments or other forms of compensation received by the Utility from an Eminent Domain Agency satisfy the requirements of Internal Revenue Code Section (IRC §) 1033 as an Involuntary Conversion, the value of such payments, property or other permissible forms of compensation will not be treated as taxable income by the Utility and, as a result, the ITC component of the Contribution will not be collected. Generally, the nontaxable provisions of IRC §1033 are satisfied if (1) the Eminent Domain Agency initiates condemnation proceedings, or (2) the Utility receives notice of intent by the Eminent Domain Entity to acquire the property before the initiation of condemnation proceedings, or (3) it can be demonstrated that it was reasonable to believe that the Utility was compelled to dispose of the property by the impending consequences.

(N)

(Continued)

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Suburban Water Systems
 1325 N. Grand Ave., Ste. 100
 Covina, CA 91724-4044

Revised
 Canceling Revised

Cal. P.U.C. Sheet No. 1852-W
 Cal. P.U.C. Sheet No. 1846-W

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(To be inserted by utility)

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