

DIVISION OF WATER AND AUDITS

Advice Letter Cover Sheet

Utility Name: Del Oro Water Co. **Date Filed:** 8/26/2022
[District Name]: [ALL Districts]
CPUC Utility #: WTB 61 **Protest Deadline (20th Day):** 9/15/2022
Advice Letter #: 535 **Review Deadline (30th Day):** 9/26/2022
Tier: 1

Req. Effective Date:

Authorization for Filing:

Compliance Filing:

Description: Revise Tax Gross Up on CIAC & AIC (Rule 15)

Utility Contact: Janice Hanna

Phone: (530) 809-3960

Email: jeh@corporatecenter.us

Alternate: Bob Fortino

Phone: (530) 809-3970

Email: corp.ceo@corporatecenter.us

DWA USE ONLY

Date

Staff

Comments

<u>Date</u>	<u>Staff</u>	<u>Comments</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

ACCEPTED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____



August 26, 2022

Advice Letter No. 535

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Del Oro Water Company, Inc. (DOWC) hereby transmits for filing, Advice Letter No. 535 on behalf of all of its districts, its request to establish a review in the following changes in tariff sheets:

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Schedule No.</u>	<u>Canceling Cal. P.U.C. Sheet No.</u>
2483-W 2484-W	Rule 15 Main Extensions (cont'd)		2177-W 2178-W
2485-W 2486-W	Table of Contents		2470-W 2482-W

Background

Through Advice Letter 504, DOWC requested authority to update its Rule 15 income tax provisions pertaining to Contributions in Aid of Construction (CIAC) and Advances for Construction (AIC) to reflect changes caused by the Tax Cut and Jobs Act signed on December 22, 2017.

On November 15, 2021, President Biden signed into law the Infrastructure Investment and Jobs Act (H.R. 3684). The Infrastructure Investment and Jobs Act changes the federal tax law concerning the income tax implications associated with CIAC, AIC, and Government grant funds.

On February 1, 2022, Water Division issued a memo entitled "Changes in Federal Tax Law - Contributions in Aid of Construction," followed by a corrected February 11, 2022 memo entitled "Correction to February 1, 2022 Memo on Changes in Federal Tax Law - Contributions in Aid of Construction." These memos instructed DOWC to file a Tier 1 Advice Letter to request authority to make changes to its Rule 15 tariff consistent with the Infrastructure Investment and Jobs Act.

Tier Designation:

In accordance with the Water Division Memo on Changes in Federal Tax Law - Contributions in Aid of Construction dated February 11, 2022, and General Order (GO) No. 96B - Water Industry Rule 7.3.a(3), this Advice Letter is designated as a Tier 1 Advice Letter.



Del Oro Water Company, Inc.

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Effective Date

DOWC requests an effective date of January 1, 2021.

Notice

Since this filing does not result in a rate increase to customers, withdrawal of service, or more restrictive terms or conditions, customer notice in accordance with Section 3.2 of General Order 96-B is not required. However, copies of this filing are being distributed to the parties on the attached distribution lists in accordance with Water Industry Rule 4.1.

Response or Protest

Anyone may respond to or protest this advice letter. A response supports the filing, and may contain information 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:

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 the statute or Commission order on which the utility relies;
3. The analysis, calculations, or data in the advice letter contain material errors or omissions;
4. The relief requested in the advice letter is pending before the Commission in a formal proceeding;
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.

Comments should mention that they pertain to **Del Oro Water Co. New Tax Law**, and must be sent no later than twenty (20) days after this notice is sent.

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.



Del Oro Water Company, Inc.
Advice Letter No. 535
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The address for mailing or delivering a protest is:

California Public Utilities Commission
Water Division - Room 3200
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-2481
E-Mail: water_division@cpuc.ca.gov

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

Director of Community Relations
Post Office Drawer 5172
Chico, CA 95927
Fax: 530-894-5405
E-Mail: communityrelations@delorowater.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, 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. Each reply must be received by the Water Division 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.

If you have not received a reply to your protest within ten (10) business days, contact Del Oro Water Company at 1-800-655-3582 or 530-717-2500.

This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

Del Oro Water Company, Inc.

JANICE HANNA
Director Corporate Accounting and Regulatory Affairs

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

February 11, 2022

To: All Investor-Owned Water and Sewer Utilities

SUBJECT: Correction to February 1, 2022 Memo on Changes in Federal Tax Law –
Contributions in Aid of Construction

It has come to our attention that a correction needs to be made to the Memo issued by Water Division on February 1, 2022, regarding compliance with changes to Federal Tax Law in accordance with H.R. 3684. Please see the below strikethrough of the original text from the memo and the revised language that follows as guidance to all investor-owned water and sewer utilities.

In response to the change in the federal tax law, Water Division requests utilities, at their earliest convenience, submit Tier 1 advice letters to bring their Tariff Rule 15 into compliance with Section 80601 of H.R. 3684. The changes should be made effective retroactively back to January 1, 2021, consistent with the effective date for Section 80601. ~~Further, any federal income taxes associated with Contributions in Aid of Construction that were received after December 31, 2020, should be refunded, with interest, to the contributor. Any ITC on Contributions in Aid of Construction collected by the utility other than for water and sewer service connections should cease immediately.~~

Further, any collections under Methods 2 or 5 as applicable to a utility's Rule 15 associated with Contributions in Aid of Construction or Advances that are no longer taxable under H.R. 3684 should immediately cease, and any such collections that were received after December 31, 2020 should be refunded, without interest, to the contributor.

Sincerely,

/s/TERENCE SHIATerence Shia, Director
Water DivisionCc: Jennifer Capitolo, Executive Director, California Water Association
Director, Public Advocates

Rule No. 15

(continued)

MAIN EXTENSIONS

D. EXTENSION DESIGNED TO INCLUDE FIRE PROTECTION

1. The cost of distribution mains designed to meet the fire flow requirements set forth in Section VIII.1 (a) of General Order No. 103 is to be advanced by the applicant. The utility shall refund this advance as provided in Sections B.2. and C.2. of this rule.
2. Should distribution mains be designed to meet fire flow requirements in excess of those set forth in Section VIII.I (a) of General Order No. 103, the increase in cost of the distribution mains necessary to meet such higher fire flow requirements shall be paid to the utility as a contribution in aid of construction.
3. The cost of facilities other than hydrants and distribution mains required to provide supply, pressure, or storage primarily for fire protection purposes, or portions of such facilities allocated in proportion to the capacity designed for fire protection purposes, shall be paid to the utility as a contribution in aid of construction.

E. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION

1. Contributions in Aid of Construction (CIAC) and Advances for Construction (AIC) shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided by applicant 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 recording transactions as follows:
 - (a) Income Tax Component (ITC), and
 - (b) The balance of the contribution or advance
2. The ITC shall be calculated by multiplying the following tax factors times the appropriate portion of the contribution or advance:

(a) For CIAC: Service Connection Component:	38.85%
(b) For AIC: Service Connection Component:	38.85%
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 contributions.

(C)
|
(C)

(To be inserted by utility)

Issued by

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

Advice Letter No. 535

Date Filed 8/26/2022

Decision No. _____

JANICE HANNA

Effective 1/1/2021

Director, Corporate Accounting

Resolution No. _____

Rule No. 15

(continued)

MAIN EXTENSIONS

- 4. The utility shall inform the Applicant of the final cost of the installation of all facilities and the resulting tax paid thereon. (C)
- 5. In the event the utility collects an ITC 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.
- 6. The tax factor is established by using Method 2 as set forth in Ordering Paragraph No. 7 of I.86-11-019/D.87-09-026.
- 7. The formula to compute Method 2 includes the following factor:
 - (a) Federal Corporate tax rate of 21% for 2021 and State Corporate tax rate of 8.84% thereafter.
- 8. This tariff is effective as of January 1, 2021. (C)

(To be inserted by utility)

Issued by

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

Advice Letter No. 535

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Decision No. _____

JANICE HANNA

Effective 1/1/2021

Director, Corporate Accounting

Resolution No. _____

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(To be issued by utility)

(To be issued by P.U.C.)

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Janice Hanna
Director, Corporate Accounting & Regulatory Affairs

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TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and services of the utility, together with other pertinent information.

SUBJECT MATTER OF SHEET

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(To be inserted by utility)

Issues By

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

Advice Letter No. 535

Date Filed 8/26/2022

Decision No. _____

JANICE HANNA

Effective 1/1/2021

Resolution No. _____

Director, Corporate Accounting & Regulatory Affairs

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Advice Letter No. 535 on all interested persons and organizations in these filings or their attorneys as shown on the attached list.

Dated: August 26, 2022 at Chico, California



Janice Hanna

NOTICE

Interested Persons and Organizations should notify the Water Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Del Oro Water Company
All Districts
Service List for Advice Letter No. 535

California Public Utilities Commission
Public Advocates Office
PublicAdvocatesOffice@cpuc.ca.gov

California Public Utilities Commission
Division of Water and Audits
water.division@cpuc.ca.gov

County of Butte, Board of Supervisors
Attn: Robin Bennett
747 Elliott Road
Paradise, CA 95969
1-530-872-6304
dteeter@buttecounty.net

Buzztail Community Services District
Attn: Jim McCrossin, President
PO Box 7303
Chico, CA 95927
jim@mccrossin.us
bookwormto@aol.com

Fresno County Administrator
Jean Rousseau
2281 Tulare, Suite 304
Fresno, CA 93721
1-559-600-1710
naortiz@co.fresno.ca.us

Glenn County
516 West Sycamore St.
Willows, CA 95988
1-530-934-6400
gcboard@countyofglenn.net

Humboldt County Administrator
Loretta A. Nickolaus,
825 Fifth Street, Room 111
Eureka, CA 95501-1153
1-707-445-7266
cao@co.humboldt.ca.us

Kern County Administrator
Mr. John Nilon
1115 Truxton Avenue
Bakersfield, CA 93301
1-661-868-3198
caomailbox@kerncounty.com

Larry Lees, Shasta County Administrative Officer
1450 Court Street, Ste. 308A
Redding, CA 96001-1673
1-530-225-5561
lrees@co.shasta.ca.us

Tulare County Administrator
Jason Britt
2800 West Burrel Avenue
Visalia, CA 93291-4582
1-559-636-5005
jtbritt@co.tulare.ca.us

Tuolumne County Offices
Mr. Craig Pedro, County Administrator
2 South Green Street
Sonora, CA 95370
1-209-533-5511

Arbuckle Public Utility District
Jim Scheimer, Manager
P.O. Box 207
Arbuckle, CA 95912
530-476-2054
apud@frontiernet.net

Del Oro Water Company
All Districts
Service List for Advice Letter No. 535

Burney Water District

William Rodriguez
20222 Hudson Street
Burney, CA 96013
1-530-335-3582
burneywd@yahoo.com

California Hot Springs Water Service

P. O. Box 146
California Hot Springs, CA 93207
No Email

Ferndale Enterprise

PO Box 1066,
Ferndale, CA 95536
editor@ferndaleenterprise.us

Lassen Pines Mutual Water Company

9367 Mountain Meadow Road
Shingletown, CA 96088
530-474-5120
lpmw@frontiernet.net

McFarland Mutual Water Company

Mr. Rocio Mosqueda
209 W. Kern Avenue
McFarland, CA 93250
1-661-792-3058
rmosqueda@mcfarlandcity.org

City of Orland

815 4th Street
Orland, CA 95963
(530) 865-1610
evonasek@cityoforland.com

Paradise Irrigation District

Mr. Tom Lando
P.O. Box 2409
Paradise, CA 95967
1-530-877-4971
tlando@paradiseirrigation.com

Riverside Community Services District

Nancy Trujillo
P.O. Box 857
Ferndale, CA 95536
1-707-786-9772
No-email

Springville Public Utility District (SPUD)

Attn: Marilyn
P.O. Box 434
Springville, CA 93265
1-559-539-2869
Spud@springvillewireless.com

Strawberry Homeowners Association

Mr. Dennis Kelley, Webmaster
1963 Curtner Avenue
San Jose, CA 95124-1303
408-626-9153
webmaster@strawberrypropertyowners.com

Tuolumne Utilities District

Mr. Tom Haglund
18885 Nugget Blvd.
Sonora, CA 95370
1-209-532-5536
thaglund@tudwater.com

Del Oro Water Company

Janice Hanna, Director of Corporate Accounting
jeh@corporatecenter.us

Del Oro Water Company, Inc.

servicelist@delorowater.com