

CALIFORNIA PUBLIC UTILITIES COMMISSION Water Division

Advice Letter Cover Sheet

Utility Name: Big Basin Water Company

Date Mailed to Service List: June 22, 2022

District: NA

CPUC Utility #: U-157-W

Protest Deadline (20th Day): July 12, 2022

Advice Letter #: 81-W

Review Deadline (30th Day): July 21, 2022

Tier 1 2 3 Compliance

Requested Effective Date: January 1, 2021

Authorization NA

Description: Update Tariff Rule 15 to comply with changes in the federal tax law relating to CIAC

Rate Impact: \$
0%

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: [Jim Moore](#)

Utility Contact:

Phone: (831) 338-2933

Phone:

Email: bbwater197@yahoo.com

Email:

DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

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

APPROVED

WITHDRAWN

REJECTED

Signature: _____ Comments: _____

Date: _____

Big Basin Water Company

P.O. Box 197 Boulder Creek, CA 95006

Telephone (831) 338-2645

June 22, 2022

Advice Letter No. 81-W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Big Basin Water Company (BBWC) hereby transmits for filing one original and one copy of this advice letter and the following tariff sheets which are enclosed:

<u>NEW SHEET #</u>	<u>TITLE</u>	<u>CANCELLING SHEET #</u>
420-W, 421-W	Rule 15, Main Extensions	263-W
422-W	Table of Contents	419-W

REQUEST

By Advice Letter (AL) No. 81-W, (BBWC) requests approval to modify the income tax component for the “contribution” provisions in Tariff Rule 15 to reflect changes in H.R. 3684, the “Infrastructure Investment Jobs Act.” The changes to its Tariff Rule 15 bring the utility into compliance with Section 80601 of H.R. 3684.

BACKGROUND

The 117th United States Congress enacted the Infrastructure Investment and Jobs Act (H.R. 3684) that was signed into law by President Biden on November 15, 2021. With the passage of H.R. 3684, the federal taxation of all water infrastructure contributed to a water utility as Contributions in Aid of Construction (CIAC) was eliminated. Now only water and sewer services cost of connections are treated as taxable income. This effectively changes the applicability of the income tax component (“ITC”) in Tariff Rule 15, retroactive to January 1, 2021. H.R. 3684 also eliminated the taxability of grants received from government agencies, except for grants related to water services.

The State of California did not change its laws regarding the taxability of CIAC. Therefore, there are no changes to Rule 15 with respect to state taxation.

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TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and the enclosed tariff sheets are submitted pursuant to General Order (GO) 96-B. AL #81-W is designated as a Tier 1 filing and the enclosed tariff sheets will become effective upon filing.¹

NOTICE

As this Advice Letter is for compliance with H.R 3684, no additional notice to customers is required.

RESPONSE OR PROTEST²

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:

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

¹ GO. 96-B, Water Industry Rule 7.3.1

² GO. 96-B, General Rule 7.4.1

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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 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. DWA must receive a response or protest via email (or postal mail) within 20 days of the date the AL is filed. The addresses for submitting a response or protest are:

Mailing Address:

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

Email Address:

Water.Division@cpuc.ca.gov

On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to BIG BASIN at:

Mailing Address:

Big Basin Water Company
Attn: Jim Moore
P.O. Box 197
Boulder Creek, CA 95006

Email Address:

Bbwater197@yahoo.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform DWA, 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.

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REPLIES

The utility shall reply to each protest and may reply to any response. Each reply must be received by DWA within five 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.³

³GO. 96-B, General Rule 7.4.3

Big Basin Water Company

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CERTIFICATE OF SERVICE

I hereby certify that the service list from Advice Letter #81-W has been served a copy of this AL on June 22, 2022.

Executed in Boulder Creek, California on June 22, 2022.

Big Basin Water Company

By: /S/ JIM MOORE

Big Basin Water Company
Manager

Enclosures

Rule No.15

Main Extension (continued)

E. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION

1. Contributions in Aid of Construction and Advances for Construction shall include, but not limited to, cash, services, facilities, labor, property, grants received from government agencies, and income taxes thereon provided by applicant to the utility. The value of all contributions shall be based on the utility's estimates. Contributions shall consist of two components for the purpose of recording transactions as follows:

- (a) Income Tax Component (ITC), and
- (b) The balance of the contributions and advances.

2. The ITC shall be calculated by multiplying the balance of the contribution by the ITC factor of:

<u>Type of Contribution</u>	<u>ITC Factors</u>	(C)
Contributed water and sewer infrastructure (Federal tax exempt; only State taxes are applicable)	9.7%	
Costs for service connections (Federal and State taxes are applicable)	42.5%	(C)

3. The tax factor is established using Method 2 as set forth in D.87-09-026 in I.86-11-019.

(D)
(D)

4. This tariff is effective as of January 1, 2021.

(C)

SPECIAL CONDITIONS

The ITC factor has been derived from Federal corporate tax rate of 21% and State corporate tax rate of 8.84% and will be in effect until the utility's taxable income changes drastically. When and if that occurs, the utility will file an advice letter showing the new rates and cancel out this sheet. Federal tax gross-ups are not required for contributions and advances used for facilities after January 1, 2021.

(C)
(C)
(N)
(N)

(To be inserted by utility)

Advice Letter No. 81-W

Decision No. _____

Issued By

Jim Moore

Manager

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

Date Filed _____

Effective _____

Resolution No. _____

Rule No.15

Main Extension (continued)

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 form section of the Utility's tariff book. (L)
|
(L)

"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." (L)
|
|
(L)

(To be inserted by utility)

Advice Letter No. 81-W

Decision No. _____

Issued By

Jim Moore

Manager

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

Date Filed _____

Effective _____

Resolution No. _____

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.

<u>SUBJECT MATTER OF SHEET</u>	<u>P.U.C. SHEET NO.</u>
Title Page	241-W
Table of Contents	422-W , 144-W (T)
Preliminary Statements	319-W, 25-W, 3-W
Service Area Map	131-W
Rate Schedules:	
Schedule No. 1 – General Metered Service	416-W
Schedule No. 2 – Annual Flat Rate Service	417-W
Schedule No. 3 – Safe Drinking Water Bond Surcharge	289-W, 290-W
Schedule No. 4 – Private Fire Protection Service	418-W
Schedule No. LC – Late Payment Charge	360-W
Schedule No. UF – Surcharge to Fund CPUC Reimbursement Fee	414-W
Rules:	
No. 1 – Definitions	385-W, 386-W
No. 2 – Description of Service	87-W
No. 3 – Application for Service	30-W
No. 4 – Contracts	31-W
No. 5 – Special Information Required on Forms	387-W – 389-W
No. 6 – Establishment and Re-establishment of Credit	34-W
No. 7 – Deposits	296-W, 297-W
No. 8 – Notices	390-W, 392-W
No. 9 – Rendering and Payment of Bills	230-W, 231-W
No. 10 – Disputed Bills	393-W, 394-W
No. 11 – Discontinuance and Restoration of Service	395-W – 404-W
No. 12 – Information Available to Public	45-W, 46-W
No. 13 – Temporary Service	47-W, 48-W
No. 14 – Continuity of Service	49-W
No. 14.1 – Water Conservation & Rationing Plan	325-W – 332-W
No. 15 – Main Extensions	250-W – 262-W, 420-W (C) 421-W (L)
No. 16 – Service Connections, Meters, & Customer’s Facilities	264-W – 270-W
No. 17 – Standards for Measurements of Service	167-W
No. 18 – Meter Tests & Adjustment of Bills for Meter Error	69-W – 71-W
No. 19 – Service to Separate Premises & Multiple Units and Resale of Water	131-W, 134-W
No. 20 – Water Conservation	272-W
No. 21 – Fire Protection	139-W

(continued)

(To be inserted by utility)

Advice Letter No. 81-W
Decision No. _____

Issued By

Jim Moore
Manager

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

Date Filed _____
Effective _____
Resolution No. _____

Big Basin Water Company, Inc.
P.O. Box 197 Boulder Creek, CA 95006
Telephone (831) 338-2645
AL #81-W Service List

Jim Moore, Manager Big Basin Water Company 16575 Jamison Creek Rd. Boulder Creek, CA 95006 bbwater197@yahoo.com	*	Mr. and Mrs. Wohld P.O. Box 2413 Boulder Creek, CA 95006 rickvonw@comcast.net	*	Mr. and Mrs. Hicok 650 Locksley Rd. Boulder Creek, CA 95006 willmary@comcast.net	*
Felicitas Johnson 222 Compass Court Boulder Creek, CA 95006 felicitasj@comcast.net	*	Ann Thrift 15520 Big Basin Way Boulder Creek, CA 95006 athrift@earthlink.net	*	Susan Higgins 17750 Big Basin Way Boulder Creek, CA 95006 gazoopus@earthlink.net	*
Mr. and Mrs. Moxon 104 Kings Highway Boulder Creek, CA 95006 moxonbc@comcast.net	*	Owen Doyle 500 Crows Nest Drive Boulder Creek, CA 95006 odoyle163@gmail.com	*	Steve Gonia 171 Tradewinds Drive Boulder Creek, CA 95006 sgonice@prodigy.net	*

***Served a copy of Advice Letter by email**

BIG BASIN WATER COMPANY
 ADVICE LETTER NO. 81-W
 METHOD 2: FULL TAX GROSS-UP, COST ON CONTRIBUTOR

CONTRIBUTIONS/ADVANCES (SUBJECT TO STATE TAX ONLY, EFFECTIVE JAN. 1, 2021)

Calculation Gross-up Percentage:

Contribution/Advance		\$ 100.00
State Tax @8.84%		\$ 8.84
Net Tax Paid		\$ 8.84
Contribution/Advance - Net of Tax		\$ 91.16
Gross-up Factor For State Tax:	2021 - (100.00/91.16)	1.0970

Proof of Calculation:

Contribution/Advance Required By Utility		\$ 100.00
Gross-up Factor		1.0970
Contribution/Advance To Be Paid By Developer		109.70
State Tax @ 8.84%		9.70
Net Tax Paid		9.70
Contribution/Advance - Net of Tax		\$ 100.00

Contributed Water and Sewer Connections Subject to Federal and State Taxes

Calculation Gross-up Percentage:

Contribution/Advance		\$ 100.00
State Tax @8.84%; Fed Tax @21% combined tax rate		29.84%
Net Tax Paid		\$ 29.84
Contribution/Advance - Net of Tax		\$ 70.16
Gross-up Factor For State Tax and Fed Tax:	2021 - (100.00/70.16)	1.4253

Proof of Calculation:

Contribution/Advance Required By Utility		\$ 100.00
Gross-up Factor		1.4253
Contribution/Advance To Be Paid By Developer		142.53
State Tax @ 8.84%		12.60
State tax credit of Fed tax@ 21%		2.65
Fed Tax @ 21%		27.29
Net Tax Paid		42.53
Contribution/Advance - Net of Tax		\$ 100.00