

**CALIFORNIA PUBLIC UTILITIES COMMISSION**  
**Water Division**  
**Advice Letter Cover Sheet**

**Utility Name:** Lukins Brothers Water Company **Date Mailed to Service List:** 03/30/22  
**District:** NA  
**CPUC Utility #:** U-WTC 142 **Protest Deadline (20<sup>th</sup> Day):** 04/19/22  
**Advice Letter #:** 90-W **Review Deadline (30<sup>th</sup> Day):** 04/29/22  
**Tier**     1     2     3     Compliance    **Requested Effective Date:** 01/01/2021

**Authorization**    NA

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

**Rate Impact:** NA  
%

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:** Jennifer Lukins

**Phone:** (530) 541-2606

**Email:** jennifer@lukinswater.com

**Utility Contact:**

**Phone:**

**Email:**

**DWA Contact:** Tariff Unit

**Phone:** (415) 703-1133

**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

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

APPROVED

WITHDRAWN

REJECTED

**Signature:** \_\_\_\_\_ **Comments:** \_\_\_\_\_

**Date:** \_\_\_\_\_

# LUKINS BROTHERS WATER COMPANY

2031 West Way, So. Lake Tahoe, CA 96150

Telephone (530)541-2606

March 30, 2022

Advice Letter No. 90-W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

LUKINS BROTHERS Water Company (LUKINS) 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>
552-W, 553-W	Rule No. 15, Main Extensions	281-W
554-W	Table of Contents	551-W

## REQUEST

By Advice Letter (AL) No. 90-W, LUKINS 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 117<sup>th</sup> 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.

March 30, 2022  
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# LUKINS BROTHERS WATER COMPANY

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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.

## **TIER DESIGNATION AND REQUESTED EFFECTIVE DATE**

This AL and enclosed tariff sheets are submitted pursuant to General Order (GO) 96-B. AL #90-W is designated as a Tier 1 filing and the enclosed tariff sheets will become effective upon filing.<sup>1</sup>

## **NOTICE**

This AL does not require notice. A copy of this AL has been served to all parties listed on the service list<sup>2</sup> on the last page of this AL. This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

## **RESPONSE OR PROTEST**<sup>3</sup>

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;

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<sup>1</sup> GO. 96-B, Water Industry Rule 7.3.1

<sup>2</sup> GO. 96-B, Water Industry Rule 4.1

<sup>3</sup> GO. 96-B, General Rule 7.4.1

# LUKINS BROTHERS WATER COMPANY

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Telephone (530)541-2606

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 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:

# LUKINS BROTHERS WATER COMPANY

2031 West Way, So. Lake Tahoe, CA 96150

Telephone (530)541-2606

**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](mailto: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 LUKINS at:

**Mailing Address:**

Lukins Brothers Water Company  
Attn: Jennifer Lukins  
2031 West Way  
South Lake Tahoe, CA 96150

**Email Address:**

[info@lukinswater.com](mailto:info@lukinswater.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.

## **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.<sup>4</sup>

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<sup>4</sup>GO. 96-B, General Rule 7.4.3

# LUKINS BROTHERS WATER COMPANY

2031 West Way, So. Lake Tahoe, CA 96150

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## CERTIFICATE OF SERVICE

I hereby certify that the service list from AL No. 90-W has been served a copy of this AL No. 90-W on March 30, 2022.

Executed in South Lake Tahoe, California on March 30, 2022.

Lukins Brothers Water  
Company

By: /s/ JENNIFER LUKINS

Jennifer Lukins  
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: (N)

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

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

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

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

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

**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 and received after January 1, 2021. (C)

(D)

(To be inserted by utility)

Issued By

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

Advice Letter No. 90-W

**Jennifer Lukins**

Date Filed \_\_\_\_\_

Decision No. \_\_\_\_\_

**Manager**

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. 90-W

Decision No. \_\_\_\_\_

*Issued By*

**Jennifer Lukins**

**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.

<b><u>SUBJECT MATTER OF SHEET</u></b>	<b><u>P.U.C. SHEET NO.</u></b>	
Title Page	294-W	
Table of Contents	<b>554-W, 496-W</b>	(T)
Preliminary Statements	528-W, 62-W	
Service Area Map	92-W	
<b>Rate Schedules:</b>		
Schedule No. 1 – General Metered Service	532-W, 541-W, 542-W	
Schedule No. 2A – Annual Flat Rate Service	533-W, 543-W, 537-W	
Schedule No. 3 – Plumas Loan Surcharge	461-W	
Schedule No. 4 – Private Fire Protection Service	544-W	
Schedule No. F – Facilities Fees	450-W	
Schedule No. LC – Late Payment Charge	436-W, 269-W	
Schedule No. UF – PUC Reimbursement Fee	539-W	
List of Contracts and Deviations	457-W	
<b>Rules:</b>		
No. 1 – Definitions	507-W, 508-W	
No. 2 – Description of Serv	104-W	
No. 3 – Application for Service	361-W	
No. 4 – Contracts	119-W	
No. 5 – Special Information Required on Forms	509-W - 511-W	
No. 6 – Establishment and Re-establishment of Credit	120-W	
No. 7 – Deposits	355-W, 356-W	
No. 8 – Notices	512-W – 514-W	
No. 9 – Rendering and Payment of Bills	452-W, 455-W	
No. 10 – Disputed Bills	515-W, 516-W	
No. 11 – Discontinuance and Restoration of Service	517-W – 524-W, 546-W, 526-W	
No. 12 – Information Available to Public	130-W, 131-W	
No. 13 – Temporary Service	132-W, 131-W	
No. 14 – Continuity of Service	134-W	
No. 14.1 – Water Conservation & Rationing Plan	417-W – 424-W	
No. 15 – Main Extensions	297-W – 309-W; <b>552-W, 553-W</b>	(C), (L)
No. 16 – Service Connections, Meters, & Customer’s Facilities	310-W – 316-W	
No. 17 – Standards for Measurements of Service	135-W	
No. 18 – Meter Tests & Adjustment of Bills for Meter Error	136-W, 138-W	
No. 19 – Service to Separate Premises & Multiple Units and Resale of Water	218-W, 219-W	
No. 20 – Water Conservation	317-W	
No. 21 – Fire Protection	318-W	

(Continued)

**(To be inserted by utility)**

*Issued By*

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

Advice Letter No. 90-W

**Jennifer Lukins**

Date Filed \_\_\_\_\_

Decision No. \_\_\_\_\_

**Manager**

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_

LUKINS WATER COMPANY  
 ADVICE LETTER NO. 90-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)	<b>1.0970</b>

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)	<b>1.4253</b>

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

**LUKINS BROTHERS WATER COMPANY, INC.**

SERVICE LIST

(Per Section 4.3 of GENERAL ORDER NO. 96-B)

**Advice Letter #90-W**

Via First Class US Mail/email

Service List:

City of South Lake Tahoe  
Administrative Center  
1901 Airport Blvd.  
So. Lake Tahoe, CA 96150

Alan Miller  
P.O. Box 7526  
South Lake Tahoe, CA 96158

Jerry Keyser  
[jkeyser@keysermarston.com](mailto:jkeyser@keysermarston.com)

El Dorado County  
Development Services Dept.  
924 Emerald Bay Rd., Ste. B  
So. Lake Tahoe, CA 96150

Maureen Froyum  
920 Patricia Lane  
South Lake Tahoe, CA 96150

Richard Munk  
[dasmunk@aol.com](mailto:dasmunk@aol.com)

South Tahoe PUD  
1275 Meadow Crest Dr.  
South Lake Tahoe, CA 96150

Lawrence Suydam  
895 Secret Harbor Drive  
South Lake Tahoe, CA 96150

Robert Mann, Plumas Bank  
[robert.mann@plumasbank.com](mailto:robert.mann@plumasbank.com)

Tahoe Keys POA  
356 Ala Wai Blvd.  
South Lake Tahoe, CA 96150

James Getz  
597 Tahoe Island Drive  
South Lake Tahoe, CA 96150

Oscar Guerrero  
[Oscar.Guerrero@waterboards.ca.gov](mailto:Oscar.Guerrero@waterboards.ca.gov)

Fern Erskine  
786 Patricia Lane  
South Lake Tahoe, CA 96150

Larry Montoya  
[montovafamily1@sbcglobal.net](mailto:montovafamily1@sbcglobal.net)

Danny Lukins, Manager  
Lukins Brothers Water Co.  
[danny@lukinswater.com](mailto:danny@lukinswater.com)

Mike Mosca  
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E. Viray  
[eviray88@gmail.com](mailto:eviray88@gmail.com)