

North Gualala Water Company, Inc.

P.O. Box 1000
Gualala, CA 95445
Telephone: 707-884-3579

March 30, 2022

Advice Letter No. 132-W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

North Gualala Water Company, Inc. (NGWC) 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>
504-W	Rule 15, Main Extensions	473-W
505-W	Table of Contents	503-W

REQUEST

By Advice Letter (AL) No. 132-W, (NGWC) 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 #132-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 NORTH GUALALA at:

Mailing Address:

North Gualala Water Company, Inc.
Attn: David Bower
P.O. Box 1000
Gualala, CA 95445

Email Address:

office@ngwco.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

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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.³

³GO. 96-B, General Rule 7.4.3

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CERTIFICATE OF SERVICE

I hereby certify that the service list from Advice Letter #132-W has been served a copy of this AL on March 30, 2022.

Executed in Gualala, California on March 30, 2022.

By: /S/ SUZETTE Y. EISSLER

Suzette Eisler
Office 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: (C)
(C)

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

SPECIAL CONDITIONS

1. 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)
2. The utility shall inform the applicant of the final cost of the installation of all facilities and the resulting tax paid thereon.
3. In the event that the Utility collect's 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 P.U.C.)

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David Bower

Date Filed _____

Decision No. _____

President

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	408-W	
Table of Contents	505-W, 470-W	(T)
Preliminary Statements	56-W, 355-W, 388-W, 419-W, 459-W	
Service Area Map	244-W	
Rate Schedules:		
Schedule No. 1, General Metered Service	502W, 500-W	
Schedule No. 3, State Bond Act Load Fee -Inactive & New Matter	315-W	
Schedule F, Facilities Fees	474-W	
Schedule No. LC, Late Payment Charge	295-W	
Schedule No. UF, PUC Reimbursement Fee	498-W	
List of Contract Deviations	266-W	
Rules:		
No. 1 – Definitions	476-W, 477-W	
No. 2 – Description of Service	116-W	
No. 3 – Application for Service	62-W, 357-W	
No. 4 – Contracts	63-W	
No. 5 – Special Information Required on Forms	478-W - 480-W	
No. 6 – Establishment and Re-establishment of Credit	66-W	
No. 7 – Deposits	327-W, 328-W	
No. 8 – Notices	481-W - 483-W	
No. 9 – Rendering and Payment of Bills	296-W, 297-W	
No. 10 – Disputed Bills	484-W, 485-W	
No. 11 – Discontinuance and Restoration of Service	486-W - 496-W	
No. 12 – Information Available to Public	77-W, 78-W	
No. 13 – Temporary Service	79-W, 80-W	
No. 14 – Continuity of Service	81-W	
No. 14.1 – Mandatory Water Conservation Program	420-W – 424-W	
No. 15 – Main Extensions	217-W – 229-W, 504-W	(C),(N))
No. 16 – Service Connections, Meters, & Customer’s Facilities	230-W – 236-W	
No. 17 – Standards for Measurements of Service	153-W	
No. 18 – Meter Tests & Adjustment of Bills for Meter Error	90-W - 92-W	
No. 19 – Service to Separate Premises & Multiple Units and Resale of Water	184-W, 185-W	
No. 20 – Water Conservation	369-W	
No. 21 – Fire Protection	370-W	

(continued)

(To be inserted by utility)

Advice Letter No. 132-W

Decision No. _____

Issued By

David Bower

President

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

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NORTH GUALALA WATER COMPANY, INC.
 ADVICE LETTER NO. 132-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%		<u>\$ 8.84</u>
Net Tax Paid		<u>\$ 8.84</u>
Contribution/Advance - Net of Tax		<u>\$ 91.16</u>
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		<u>1.0970</u>
Contribution/Advance To Be Paid By Developer		<u>109.70</u>
State Tax @ 8.84%		<u>9.70</u>
Net Tax Paid		<u>9.70</u>
Contribution/Advance - Net of Tax		<u>\$ 100.00</u>

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		<u>29.84%</u>
Net Tax Paid		<u>\$ 29.84</u>
Contribution/Advance - Net of Tax		<u>\$ 70.16</u>
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		<u>1.4253</u>
Contribution/Advance To Be Paid By Developer		<u>142.53</u>
State Tax @ 8.84%		<u>12.60</u>
State tax credit of Fed tax@ 21%		<u>2.65</u>
Fed Tax @ 21%		<u>27.29</u>
Net Tax Paid		<u>42.53</u>
Contribution/Advance - Net of Tax		<u>\$ 100.00</u>

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Service List

(PER SECTION 4.3 OF GENERAL ORDER 96-B)

Point Arena Water Works, Inc.
P.O. Box 205
Point Arena, CA 95468

The Sea Ranch Water Company
P.O. Box 16
The Sea Ranch, CA 95497