
March 30, 2022

ADVICE 129-W
(U 338-W)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
WATER DIVISION

SUBJECT: Southern California Edison Company's Modifications to Its Water Preliminary Statement F, *Income Tax Component of Contribution Provision*, and Rule 15, *Main Extensions*, to Reflect the Amendments Made to Internal Revenue Code Section 118 by the Investment Infrastructure and Jobs Act

Southern California Edison Company (SCE) hereby submits the following updates to its tariffs. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

The purpose of this advice letter is to notify the California Public Utilities Commission (Commission or CPUC) of the modification made to SCE's Water Preliminary Statement Part F, *Income Tax Component of Contribution Provision*, and Rule 15, *Main Extensions*, to reflect amendments made to the Internal Revenue Code (IRC) Section 118 by Section 80601 of Public Law 117-58, the Investment Infrastructure and Jobs Act (IIAJA)¹ that excludes from taxable income water-related contributions in aid of construction (CIAC) made after December 31, 2020.

BACKGROUND

The IIAJA was enacted into law on November 15, 2021. Section 80601 of the IIAJA amended IRC Section 118(c) to exclude water-related CIAC made after December 31, 2020 from the gross income of a regulated public utility that provides water or sewage disposal services. The amendment to IRC Section 118 is effective January 1, 2021. As a result, the income tax component of the contribution (ITCC) associated with CIAC will not be collected on such contributions made after December 31, 2020. Prior to the amendments to IRC Section 118 by IIAJA, water and sewage disposal utilities were required to include CIAC in their taxable income received after December 22, 2018, and

¹ A copy of the relevant sections of the IIAJA is included as Attachment B to this advice letter.

SCE was authorized by the CPUC to collect the related additional ITCC amount pursuant to Advice 108-W.

On February 1, 2022, the CPUC's Water Division instructed all investor-owned water and sewer utilities to submit a Tier 1 advice letter to bring their Rule 15 tariffs into compliance with Section 80601 of the IAJA. The changes should be made effective retroactively back to January 1, 2021, consistent with the effective date of Section 80601.

Accordingly, SCE modifies the relevant tariffs as described below.

PROPOSED TARIFF CHANGES

This advice letter revises the following sections² of SCE's Water Preliminary Statement Part F:

Modify Section F.1. to clarify and update the applicable dates subject to the exclusion from the collection of ITCC.

General. ~~All Contributions in Aid of Construction and Advances for Construction (Contributions) made to SCE (1) after December 31, 1985 and before June 13, 1996, or (2) after December 22, 2017 and before January 1, 2021, pursuant to its tariffs for purposes of furnishing water or sewage disposal related services shall include an additional cost component of the Income Tax Component of Contribution to cover SCE's costs associated with additional Federal Income Taxes resulting therefrom. Contributions made to SCE on or after January 1, 1992 and before June 13, 1996 shall also include a cost component to cover SCE's costs associated with additional State Income Taxes resulting therefrom.~~

Contributions made to SCE after December 22, 2017 and before January 1, 2021 by an Eminent Domain Agency in an Involuntary Conversion transaction will not be treated as taxable income by SCE and, as a result, the Income Tax Component of Contribution will not be collected.

Modify Section F.2.c. to clarify the definition of Involuntary Conversion:

Involuntary Conversion: ~~Contributions Where, in the opinion of SCE, payments or other forms of compensation received by SCE from an Eminent Domain Agency that satisfy, in the opinion of SCE, the requirements of Internal Revenue Code Section (IRC §) 1033 as an nontaxable Involuntary Conversion, the value of such payments, property or other permissible forms of compensation will not be treated as taxable income by SCE and, as a result, the ITCC component of the Contribution will not be collected.~~

² Strikethrough text denotes deleted text and underlined text denotes new text.

Generally, the nontaxable provisions of IRC § 1033 are satisfied if (1) the Eminent Domain Agency initiates condemnation proceedings, or (2) SCE 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 SCE was compelled to dispose of the property by the impending consequences.

This advice letter also adds the following section in SCE's Water Rule 15:

Add Section E as follows:

All contributions and Advances are subject to the provisions of SCE's Preliminary Statement Part F.

No cost information is required for this advice letter.

This advice letter will not increase or decrease any rate or charge, conflict with any other schedules or rules, or cause the withdrawal of service.

TIER DESIGNATION

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

EFFECTIVE DATE

This advice letter will become effective retroactively on January 1, 2021 pursuant to the effective date of Section 80601 of the IIJA and per the letter received from the CPUC Water Division dated February 1, 2022.

NOTICE

Anyone wishing to protest this advice letter may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice letter. Protests should be submitted to:

Director, Water Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102
E-mail: water_division@cpuc.ca.gov
Facsimile: (415) 703-2200

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Shinjini C. Menon
Managing Director, State Regulatory Operations
E-mail: AdviceTariffManager@sce.com

and

Tara S. Kaushik
Managing Director, Regulatory Relations
c/o Karyn Gansecki
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may submit a protest, but the protest shall set forth specifically the grounds upon which it is based and must be received by the deadline shown above.

In accordance with Water Industry Rule 4.1 of GO 96-B, SCE is serving copies of this advice letter to the interested parties shown on the attached Water GO 96-B service list. Address change requests to the GO 96-B service lists should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-3719. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by submitting and keeping the advice letter at SCE's corporate headquarters. To view other SCE advice letters submitted with the Commission, log on to SCE's web site at <https://www.sce.com/wps/portal/home/regulatory/advice-letters>.

For questions, please contact Alfred Lopez at (626) 302-8797 or Grace Chi at (626) 302-3397 or by electronic mail at alfred.lopez@sce.com or grace.chi@sce.com.

Southern California Edison Company

/s/ Shinjini C. Menon
Shinjini C. Menon

SCM:al/gc/sl:cm
Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: Southern CA Edison

Date Mailed to Service List: Mar. 30, 2022

CPUC Utility #: WTC 338

Protest Deadline (20th Day): Apr. 19, 2022

Advice Letter #: 129-W

Review Deadline (30th Day): Apr. 29, 2022

Tier 1 2 3 Compliance

Requested Effective Date: Jan. 1, 2021

Authorization

Rate Impact: \$

Description: Southern California Edison Company's Modifications to Its Water Preliminary Statement F, *Income Tax Component of Contribution Provision*, and Rule 15, *Main Extensions*, to Reflect the Amendments Made to Internal Revenue Code Section 118 by the Investment Infrastructure and Jobs Act

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: Darrah Morgan

Utility Contact 2: Jeanette Melgar

Phone: (626) 302-2086

Phone 2: (626) 302-4039

Email: advicetariffmanager@sce.com

Email 2: advicetariffmanager@sce.com

DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

DATE

STAFF

COMMENTS

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Preliminary Statements F
Rules 15
Table of Contents

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 1337-W	Preliminary Statements F	Revised 1079-W
Revised 1338-W	Rules 15	Revised 201-W
Revised 1339-W Revised 1340-W	Table of Contents Table of Contents	Revised 1306-W Revised 1307-W

PRELIMINARY STATEMENT

Sheet 1

F. INCOME TAX COMPONENT OF CONTRIBUTION PROVISION

1. General. All Contributions in Aid of Construction and Advances for Construction (Contributions) made to SCE after December 22, 2017 and before January 1, 2021, pursuant to its tariffs for purposes of furnishing water or sewage disposal related services shall include an additional cost component of the Income Tax Component of Contribution to cover SCE's costs associated with additional income taxes resulting therefrom. (T)

Contributions made to SCE after December 22, 2017 and before January 1, 2021 by an Eminent Domain Agency in an Involuntary Conversion transaction will not be treated as taxable income by SCE and, as a result, the Income Tax Component of Contribution will not be collected. (N)

2. Definitions.

a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided to the Company by a person or entity. The value of the contributions shall be based on the Company's estimates. Contributions shall consist of two components as follows:

- (1) Income Tax Component of Contribution (ITCC); and
- (2) The balance of the Contribution (Balance of Contribution).

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: Contributions received by SCE from an Eminent Domain Agency that satisfy, in the opinion of SCE, the requirements of Internal Revenue Code Section (IRC §) 1033 as a nontaxable Involuntary Conversion, the value of such payments, property or other permissible forms of compensation will not be treated as taxable income by SCE and, as a result, the ITCC 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) SCE 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 SCE was compelled to dispose of the property by the impending consequences. (T)

(Continued)

(To be inserted by utility)
 Advice 129-W
 Decision _____

Issued by
Michael Backstrom
Vice President

(To be inserted by Cal. PUC)
 Date Filed Mar 30, 2022
 Effective _____
 Resolution _____



Rule No. 15
MAIN EXTENSIONS

Sheet 11

(Continued)

D. Extensions 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 Company shall refund this advance as provided in Sections B.3. 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.1(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 Company 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 Company as a contribution in aid of construction.

E. Income Tax Component of Contribution

All contributions and Advances are subject to the provisions of SCE's Preliminary Statement Part F.

(N)
|
(N)

(To be inserted by utility)

Advice 129-W
Decision _____

Issued by
Michael Backstrom
Vice President

(To be inserted by Cal. PUC)

Date Filed Mar 30, 2022
Effective _____
Resolution _____



Southern California Edison
Rosemead, California

Revised Cal. PUC Sheet No. 1339-W
Cancelling Revised Cal. PUC Sheet No. 1306-W

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(To be inserted by utility)

Advice 129-W
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Vice President

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Resolution _____

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(Continued)
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(T)

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(To be inserted by utility)

Advice 129-W
Decision _____

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Vice President

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