

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

**Utility Name:** Point Arena Water Works, Inc. **Date Mailed to Service List:** March 28, 2022  
**District:** NA  
**CPUC Utility #:** U-WTD 40 **Protest Deadline (20<sup>th</sup> Day):** April 17, 2022  
**Advice Letter #:** 95-W **Review Deadline (30<sup>th</sup> Day):** April 27, 2022  
**Tier**  1  2  3  Compliance **Requested Effective Date:** January 1, 2021  
**Authorization** NA **Rate Impact:** \$0  
**Description:** Update Tariff Rule 15 to comply with changes in the federal tax law relating to CIAC %

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:** William Hay, Jr. **Utility Contact 2:** Carla Shelton  
**Phone:** 707-882-1696 **Phone 2:** 707-882-1696  
**Email:** paww@cmcn.org **Email 2:** paww@mcn.org

**DWA Contact:** Tariff Unit  
**Phone:** (415) 703-1133  
**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

<b>DWA USE ONLY</b>
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<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>

[ ] APPROVED [ ] WITHDRAWN [ ] REJECTED

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

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

# Point Arena Water Works, Inc.

P.O. Box 205  
Point Arena, CA 95468  
Telephone: (707) 882-1696

March 28, 2022

Advice Letter No. 95-W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Point Arena Water Works, Inc. (PAWW) 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>
459-W	Rule 15, Main Extensions	
460-W	Table of Contents	458-W

## REQUEST

By Advice Letter (AL) No. 95-W, (PAWW) 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.

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.

March 28, 2022  
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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 #95-W is designated as a Tier 1 filing and the enclosed tariff sheets will become effective upon filing.<sup>1</sup>

## **NOTICE**

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

## **RESPONSE OR PROTEST<sup>2</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;
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

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

<sup>2</sup> 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](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 POINT ARENA at:

**Mailing Address:**

Point Arena Water Works, Inc.  
Attn: William Hay, Jr.  
P.O. Box 205  
Point Arena, CA 95468

**Email Address:**

[paww@mcn.org](mailto:paww@mcn.org)

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.<sup>3</sup>

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<sup>3</sup>GO. 96-B, General Rule 7.4.3

# Point Arena Water Works, Inc.

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## CERTIFICATE OF SERVICE

I hereby certify that the service list from Advice Letter #95-W has been served a copy of this AL on March 28, 2022.

Executed in Point Arena, California on March 28, 2022.

Point Arena Water Works, Inc.

By: /S/ WILLIAM HAY, JR.  
Point Arena Water Works, Inc.  
President

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 after January 1, 2021. (N)

(To be inserted by utility)

Issued By

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

Advice Letter No. 95-W

William Hay, Jr.

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	113-W	
Table of Contents	<b>460-W, 414-W</b>	(T)
Preliminary Statements	114-W, 294-W, 340-W, 345-W, 346-W, 382-W - 385-W	
Service Area Map	74-W, 286-W	
<b>Rate Schedules:</b>		
Schedule No. 1 –General Metered Service	456-W, 427-W	
Schedule No. UF – Surcharge to Fund PUC Reimbursement Fee	454-W	
Schedule No. LC - Late Payment Charge	251-W	
Schedule F - Facilities Fees	457-W	
Schedule No. 2X - General Metered Service Surcharge	284-W	
Schedule WR – Water Rights Memorandum Account Fee	388-W	
List of Contract Deviations	266-W	
<b>Rules:</b>		
No. 1 – Definitions	432-W, 433-W	
No. 2 – Description of Service	119-W	
No. 3 – Application for Service	305-W	
No. 4 – Contracts	121-W	
No. 5 – Special Information Required on Forms	434-W - 436-W	
No. 6 – Establishment and Re-establishment of Credit	124-W	
No. 7 – Deposits	309-W, 310-W	
No. 8 – Notices	437-W - 439-W	
No. 9 – Rendering and Payment of Bills	252-W, 253-W	
No. 10 – Disputed Bills	440-W, 441-W	
No. 11 – Discontinuance and Restoration of Service	442-W - 452-W	
No. 12 – Information Available to Public	137-W, 138-W	
No. 13 – Temporary Service	139-W, 140-W	
No. 14 – Continuity of Service	141-W	
No. 14.1 – Voluntary Water Conservation Plan	371-W – 378-W	
No. 15 – Main Extensions	315-W – 327-W, 417-W, <b>459-W</b>	(N)
No. 16 – Service Connections, Meters, & Customer’s Facilities	328-W – 334-W	
No. 17 – Standards for Measurements of Service	159-W	
No. 18 – Meter Tests & Adjustment of Bills for Meter Error	160-W - 162-W	
No. 19 – Service to Separate Premises & Multiple Units and Resale of Water	219-W, 220-W	
No. 20 – Water Conservation	164-W	
No. 21 – Fire Protection	335-W	

(continued)

(To be inserted by utility)

Advice Letter No. 95-W

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

*Issued By*

**William Hay, Jr.**

**President**

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

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

Effective \_\_\_\_\_

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



POINT ARENA WATER WORKS, INC.  
 ADVICE LETTER NO. 95-W  
 METHOD 2: FULL TAX GROSS-UP, COST ON CONTRIBUTOR

**CONTRIBUTIONS/ADVANCES (SUBJE 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

# **Point Arena Water Works, Inc.**

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## **Advice Letter No. 95-W**

### **Service List**

City of Point Arena  
P.O. Box 67  
Point Arena, CA 94568

North Gualala Water Company  
P.O. Box 1000  
Gualala, CA 95445

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

Independent Coastal Observer  
Editor  
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