

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

Advice Letter Cover Sheet

Utility Name: PureSource Water, Inc.

Date Mailed to Service List: 6/29/2022

CPUC Utility #: WTD 158

Protest Deadline (20th Day): 7/19/2022

Advice Letter #: 41

Review Deadline (30th Day): 7/29/2022

Tier 1 2 3 Compliance

Requested Effective Date: 1/1/2021

Authorization N/A

Rate Impact: \$0
0%

Description: Update Tariff Rule 15 to comply with changes in the federal tax law relating to Contributions In Aid of Construction (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: Martin Mills

Utility Contact 2: Jennifer Young

Phone: 831-688-8476

Phone 2: 831-688-8476

Email: Martin@psh2o.com

Email 2: Jennifer@psh2o.com

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WITHDRAWN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: _____

PureSource Water, Inc.

PO Box 1958, Aptos, CA 95001

Telephone 831-688-8476

accounts@psh2o.com

June 29, 2022

Advice Letter No. 41

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

PureSource Water, Inc. (PureSource) hereby transmits for filing one original and one copy of this advice letter (AL) and the following tariff sheets which are enclosed:

<u>NEW SHEET #</u>	<u>TITLE</u>	<u>CANCELLING SHEET #</u>
283-W	Rule 15, Main Extensions	168-W
284-W	Table of Contents	282-W

REQUEST

By AL No. 41, PureSource 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 connection 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.

PureSource Water, Inc.

PO Box 1958, Aptos, CA 95001

Telephone 831-688-8476

accounts@psh2o.com

TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and the enclosed tariff sheets are submitted pursuant to General Order (GO) 96-B. AL 41 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 (AL). A response supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A protest objects to the AL 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 AL; or
2. The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies; or
3. The analysis, calculations, or data in the AL contain material error or omissions; or
4. The relief requested in the AL is pending before the Commission in a formal proceeding; or
5. The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
6. The relief requested in the AL 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. The Water Division 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

¹ GO. 96-B, Water Industry Rule 7.3.1

² GO. 96-B, General Rule 7.4.1

PureSource Water, Inc.

PO Box 1958, Aptos, CA 95001

Telephone 831-688-8476

accounts@psh2o.com

On the same day the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy of the protest to PureSource at:

Mailing Address:

PureSource Water, Inc.

PO Box 1958

Aptos, CA 95001

Email Address:

martin@psh2o.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. Any 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 to the AL.³

PureSource Water, Inc.

By: _____

Martin Mills

Owner

Enclosures:

AL 41 Cover Sheet, Tariffs

³ GO. 96-B, General Rule 7.4.3

PureSource Water, Inc.

PO Box 1958, Aptos, CA 95001

Telephone 831-688-8476

accounts@psh2o.com

SERVICE LIST

*Soquel Creek Water District
P.O. Box 1550
Capitola, CA 95010
MelanieS@soquelcreekwater.org

*Central Water District
400 Cox Road
Aptos, CA 95003
cenwtr@yahoo.com

*Trout Gulch Mutual Water Company
90 Victoria Lane
Aptos, CA 95003
troutgulchwater@gmail.com

*Cathedral Hills Mutual Water Company
237 Campus Drive
Aptos, CA 95003
pgoetz517@gmail.com
ball.jerry@sbcglobal.net

*Environmental Health Services
County of Santa Cruz
701 Ocean Street, Room 312
Santa Cruz, CA 95060
Nathan.Salazar@santacruzcounty.us

*Pete Brown
2042 Redwood Drive
Aptos, CA 95003
gabrow8@aol.com

*Sandy and Annie Lydon
2255 Redwood Drive
Aptos, CA 95003
salydon@aol.com
annvalydon@aol.com

*Roger Henderson
3728 Redwood Drive
Aptos, CA 95003
ontbijtkaas@gmail.com

*Kim Bierman
3153 Redwood Drive
Aptos, CA 95003
kbierwoman@comcast.net

*Joan Vierra
3675 Redwood Drive
Aptos, CA 95003
vierraweaver@gmail.com

*Becky Steinbruner
3441 Redwood Drive
Aptos, CA 95003
ki6tkb@yahoo.com

*Holger Blech and Sandy Clay
3218 Forest Park Lane
Aptos, CA 95003
theblechfamily@gmail.com

Chris Borger
PO Box 1083
Soquel, CA 95073

*Notified by email

PureSource Water, Inc.

PO Box 1958, Aptos, CA 95001

Telephone 831-688-8476

accounts@psh2o.com

CERTIFICATE OF SERVICE

I hereby certify that the attached service list has been served a copy of this Advice Letter No. 41 on June 29, 2022.

Executed in Aptos, California on the 29th of June, 2022.

PureSource Water, Inc.

By: _____

Martin Mills
Owner

RULE NO. 15

MAIN EXTENSIONS (continued)

E. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION

- 1. Contributions in Aid of Construction and Advances for Construction shall (N)
 included, but are 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
 (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>	(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 (N)
 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 (N)
 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 Jan 1, 2021. (N)

(To be inserted by utility)

Issued By

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

Advice Letter No. 41

Martin Mills

Date Filed _____

Decision No. _____

Owner

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	268-W
Table of Contents	284-W , 263-W (T)
Preliminary Statements	13-W, 14-W, 182-W, 183-W, 236-W, 237-W
Service Area Map	81-W
Rate Schedules:	
Schedule No. 2R – Residential Flat Rate Service	280-W
Schedule No. LC – Late Payment Charge	185-W
Schedule No. UF – Surcharge to Fund PUC Reimbursement Fee	254-W
Schedule No. F – Facilities Fee	281-W
Rules:	
No. 1 – Definitions	124-W, 125-W
No. 2 – Description of Service	68-W
No. 3 – Application for Service	186-W
No. 4 – Contracts	19-W
No. 5 – Information Required on Forms	259-W, 188-W – 260-W
No. 6 – Establishment and Re-establishment of Credit	22-W
No. 7 – Deposits	190-W, 191-W
No. 8 – Notices	192-W, 193-W
No. 9 – Rendering and Payment of Bills	194-W, 195-W
No. 10 – Disputed Bills	196-W, 197-W
No. 11 – Discontinuance and Restoration of Service	198-W – 205-W
No. 12 – Information Available to Public	33-W, 34-W
No. 13 – Temporary Service	35-W, 36-W
No. 14 – Continuity of Service	37-W
No. 14.1 – Water Conservation & Rationing Plan	272-W – 278-W
No. 15 – Main Extensions	206-W to 218-W, 283-W (N)
No. 16 – Service Connections, Meters, & Customer’s Facilities	219-W – 225-W
No. 17 – Standards for Measurements of Service	54-W
No. 18 – Meter Tests & Adjustment of Bills for Meter Error	55-W – 57-W
No. 19 – Service to Separate Premises & Multiple Units and Resale of Water	142-W, 143-W
No. 20 – Water Conservation	228-W
No. 21 – Fire Protection	229-W

(continued)

(To be inserted by utility)

Advice Letter No. 41

Decision No. _____

Issued By

Martin Mills

Owner

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

Date Filed _____

Effective _____

Resolution No. _____

PureSource Water, Inc.
ADVICE LETTER NO. 41-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:	(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:	(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
Fed Tax @ 21%		29.93
Net Tax Paid		42.53
Contribution/Advance - Net of Tax		\$ 100.00