

SIERRA PARK WATER COMPANY

P.O. Box 424 Miwuk Village, CA 95346

Telephone (209) 533-7998

November 14, 2022

Advice Letter No. 16-W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Sierra Park Water Company, Inc. (SIERRA PARK) hereby transmits for filing one original and one copy of this advice letter and following tariff sheets which are enclosed:

<u>NEW SHEET #</u>	<u>TITLE</u>	<u>CANCELLING SHEET #</u>
122-W	Rule 15, Main Extensions	57-W
123-W	Table of Contents	121-W

REQUEST

By advice Letter (AL) No. 16-W, SIERRA PARK 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.

TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and the enclosed tariff sheets are submitted pursuant to General Order (GO) 96-B. AL #16-W is designated as a Tier 1 filing and the enclosed tariff sheets will become effective upon filing.¹

¹ GO. 96-B, Water Industry Rule 7.3.1

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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
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 advice letter 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:

Email Address:

Water.Division@cpuc.ca.gov

Mailing Address:

California Public Utilities Commission
Water Division, 3rd Floor
505 Van Ness Avenue
San Francisco, CA 94102

²GO. 96-B, General Rule 7.4.1

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On the same day the response or protest is submitted to Water Division (WD), the respondent or protestant shall send a copy of the protest to Sierra Park Water Company at:

Email Address:

potterlael@gmail.com

Mailing Address:

Sierra Park Water Company, Inc.
P.O. Box 424
Miwuk, Village, CA 95346

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform WD, 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 WD within five business days after the end of the protest period and shall be served on the same day on each person who filed the protest or response.³

CERTIFICATE OF SERVICE

I hereby certify that the above service list has been served a copy of AL 16-W on November 14, 2022.

Executed in Miwuk Village, California on the November 14, 2022.

Sierra Park Water Company

By: /s/LAEL POTTER

Lael Potter

Compliance Administrator

Enclosures

³GO. 96-B, General Rule 7.4.3

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 include, 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:
 - a. Income Tax Component (ITC), and
 - b. The balance of the contribution and advances.
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>
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%

3. The tax factor is established using Method 2 as set forth in D.87-09-026 in I.86-11-019.
4. This tariff is effective as of January 1, 2021.

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. 16-W
Decision No. _____

Bradley Niess
President

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.

<u>SUBJECT MATTER OF SHEET</u>	<u>P.U.C. SHEET NO.</u>	
Title Page	1-W	
Table of Contents	123-W	(T)
Preliminary Statements	2-W thru 4-W, 74-W, 113-W	
Service Area Map	6-W	
Rate Schedules:		
Schedule No. 1 – General Metered Service	118-W	
Schedule No. 2R – Residential Flat Rate Service	119-W	
Schedule No. LC – Late Payment Charge	104-W	
Schedule No. UF – Surcharge to Fund CPUC Reimbursement Fee	99-W	
Rules:		
No. 1 – Definitions	77-W, 78-W	
No. 2 – Description of Service	12-W	
No. 3 – Application for Service	13-W	
No. 4 – Contracts	14-W	
No. 5 – Special Information Required on Forms	79-W thru 81-W	
No. 6 – Establishment and Re-establishment of Credit	18-W	
No. 7 – Deposits	19-W	
No. 8 – Notices	82-W thru 84-W	
No. 9 – Rendering and Payment of Bills	114-W thru 116-W	
No. 10 – Disputed Bills	85-W, 86-W	
No. 11 – Discontinuance and Restoration of Service	87-W thru 97-W	
No. 12 – Information Available to Public	35-W	
No. 13 – Temporary Service	36-W	
No. 14 – Continuity of Service	37-W	
No. 14.1 –Water Conservation& Rationing Plan	38-W thru 44-W	
No. 15 – Main Extensions	45-W thru 56-W, 122-W	(N)
No. 16 – Service Connections, Meters, & Customer’s Facilities	58-W thru 64-W	
No. 17 – Standards for Measurements of Service	65-W	
No. 18 – Meter Tests & Adjustment of Bills for Meter Error	66-W thru 68-W	
No. 19 – Service to Separate Premises & Multiple Units and Resale of Water	69-W thru 70-W	
No. 20 – Water Conservation	71-W	
No. 21 – Fire Protection	72-W	

(To be inserted by Utility)
Advice Letter No. 16 -W
Decision No. _____

Issued By
Brad Niess
Name
President
Title

(To be inserted by PUC)
Date Filed _____
Effective _____
Resolution No. _____

SIERRA PARK WATER COMPANY
 ADVICE LETTER NO. 16-W
 METHOD 2: FULL TAX GROSS-UP, COST ON CONTRIBUTOR

CONTRIBUTIONS/ADVANCES (SUBJECT EFFECTIVE JAN. 1, 2021)

Calculation Gross-up Percentage:

Contribution/Advance		\$ 100.00
State Tax @8.84%		\$ 8.84
Net Tax Paid		<u>\$ 8.84</u>
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		<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:	(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>
Fed Tax @ 21%		<u>29.93</u>
Net Tax Paid		<u>42.53</u>
Contribution/Advance - Net of Tax		<u>\$ 100.00</u>

SIERRA PARK WATER COMPANY, INC.

ADVICE LETTER #16-W

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¹ GO. 96-B, Water Industry Rule 7.3.1

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¹ GO. 96-B, Water Industry Rule 7.3.1

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¹ GO. 96-B, Water Industry Rule 7.3.1