

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 22, 2019

Edward N. Jackson
Director, Rates and Regulatory Affairs
Liberty Utilities (Apple Valley Ranchos Water) Corp.
21760 Ottawa Road
Apple Valley, CA 92308-6533

Dear Mr. Jackson,

The Commission has approved Liberty Utilities' (Apple Valley Ranchos Water) Advice Letter No. 233, filed on March 26, 2019, regarding changes to Rule 15 income tax provisions pertaining to Contribution in Aid of Construction.

Enclosed are copies of the following revised tariff sheets for the utility's files:

P.U.C.	
Sheet No.	Title of Sheet
983-W	Rule No. 15, page 1
984-W	Rule No. 15, page 2
985-W	Table of Contents, page 2

Please contact Carmen Rocha at 415-703-2162, if you have any questions.

Thank you,

/s/ROBIN BRYANT

Robin Bryant
Water & Sewer Advisory Branch
Water Division

Enclosures

Rule No. 15
 (continued)

MAIN EXTENSIONS

E. Income Tax Component of Contributions and Advances Provision (N)

1. Contributions in Aid of Construction (CIAC) and Advances in Aid of Construction (AIAC), collectively referred to as (“Contributions”) shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided by a person or agency to the utility. The 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 gross-up factor (ITC), and
- b. The Balance of the Contribution (Balance of Contribution).

2. The ITC shall be calculated by multiplying the Balance of Contribution by the ITC factor of:

Contributions subject to federal taxation only	15.0%
Contributions subject to federal and California taxation	21.0%

3. The tax factors are established by using Method 5 as set forth in D.87-09-026 in I.86-11-019.

4. The formula to compute Method 5 includes the following factors:

- a. State Franchise tax rate of 8.84%
- b. Federal Income tax rate of 21.0%
- c. A discount rate of 7.35%
- d. A pre-tax rate of return of 9.43%
- e. Cost of debt of 4.71%
- f. Return on equity of 9.35%
- g. Capital ratio (debt:equity) 43:57
- h. Net to gross 1.39

5. The ITC factor has been derived from the corporate rate and it will remain in effect until the utility’s net taxable income changes to the extent that the gross-up rate would increase or decrease by five percentage points or more. When and if that occurs, the utility will file an advice letter showing the new rates and cancel out this sheet.

(N)

(To be inserted by utility)

Issued By

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

Advice No. 233-W

GREGORY S. SORENSEN

Date Filed 03/26/2019

Name

Effective 04/01/2019

Dec. No. _____

PRESIDENT

Resolution No. _____

Title

LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.
21760 OTTAWA ROAD
P. O. BOX 7005
APPLE VALLEY, CALIFORNIA 92307-7005

ORIGINAL CPUC Sheet No. 984-W

Canceling _____ CPUC Sheet No. NEW

Rule No. 15
(continued)

MAIN EXTENSIONS

6. In the event that the Utility collects 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. (N)
- (N)

(To be inserted by utility)

Issued By

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

Advice No. 233-W

GREGORY S. SORENSEN
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PRESIDENT
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TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

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No. 16	Service Connections, Meters, and Customer Facilities	399-W through 405-W

(continued)

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