



Liberty Utilities (CalPeco Electric) LLC
933 Eloise Avenue
South Lake Tahoe, CA 96150
Tel: 800-782-2506
Fax: 530-544-4811

November 15, 2022

VIA EMAIL ONLY

EDTariffUnit@cpuc.ca.gov

**Advice Letter No. 204-E-A
(U 933-E)**

California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Subject: Revision of the Income Tax Component of Contribution Pursuant to H.R. 1, Tax Cuts and Jobs Act of 2017

Liberty Utilities (CalPeco Electric) LLC (“Liberty”) hereby submits revisions to its Preliminary Statement 11 – Income Tax Component of Contributions and Advances Provision, to reflect changes to the tax factors used in computing the Income Tax Component of Contribution (ITCC) associated with Contributions in Aid of Construction for contributions received.

Purpose

This supplemental filing will replace AL 204-E in its entirety.

In this advice letter, Liberty is notifying the California Public Utilities Commission (CPUC or Commission) that the ITCC tax factor for customers who make contributions on or after January 1, 2023 will be subject to a 0.24 (24 percent) tax factor. Prior to this update, Liberty’s Preliminary Statement 11, reflected an ITCC factor of 0.169 (16.9 percent) for contributions received on or after July 1, 2013 and through December 31, 2022.¹ Due to changes enacted by the Tax Cuts and Jobs Act,² the ITCC tax factor for contributions received on or after January 1, 2023 will be 0.24 (24 percent).

Background

All contributions in Aid of Construction (Contributions, or CIAC) made to Liberty shall include a charge to cover Liberty’s resulting estimated liability for Federal and State Income Tax (ITCC). The ITCC is calculated by multiplying the Balance of Contribution by the tax factor in effect at the time the contributions are received by Liberty. The tax factor (or ITCC tax factor) is established by using Method 5 as set forth in Decisions 87-09-027 and 87-012-028 in OII 86-11-

¹ AL-29E approved Liberty’s effective ITCC rate of 16.9%

² A copy of the relevant section of the Act is included as Attachment 2 to this submittal.

19.

Prior to the enactment of the Tax Cuts and Jobs Act (TCJA). The Federal Government has enacted, each time on a temporary basis, a series of income tax revisions intended to promote investment in capital projects. These revisions take the form of changes to the Federal Depreciation Provisions of the Internal Revenue Code, which in turn impact the ITCC tax factor.

In December 2017, The Tax Cuts and Jobs Act (TCJA) was enacted. The Act reduced the Federal corporate income tax rate to 0.21 (21 percent) from 0.35 (35 percent) and changed the Section 168(k) rules for utilities whereby utilities are no longer allowed to deduct 50 percent of their basis in qualified property placed in service. As a result of the corporate tax changes, the ITCC tax Factor is 0.24 (24 percent). A copy of the TCJA is attached as Attachment 2.

| <u>Period</u> | <u>Less Than 69 kV</u> | <u>Greater Than 69 kV</u> | <u>Advice Letter</u> |
|-------------------|------------------------|---------------------------|----------------------|
| November 15, 2022 | .24 | - | 204-E |

To support the above ITCC Tax Factors, Liberty has attached the calculation set forth in Method 5, as described in Decision D.87-09-026 and D.87-12-028 in Order Instituting Investigation (OII) 86-11-109 (Attachment 1).

Revisions to Tariffs and Forms

Liberty is revising its Preliminary Statement 11 – Income Tax Component of Contributions and Advances Provision.

Tier Designation

Pursuant to General Order (“GO”) 96-B, this advice letter is submitted with a Tier 1 designation.

Effective Date

Liberty requests an effective date of January 1, 2023.

Protests

Anyone wishing to protest this Advice Letter may do so by letter sent via U.S. mail, by facsimile, or by email, any of which must be received no later than December 5, 2022, which is 20 days after the date of this Advice Letter. There are no restrictions on who may submit a protest, but the protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. Protests should be mailed to:

California Public Utilities Commission
Energy Division, Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298
Facsimile: (415) 703-2200
Email: edtariffunit@cpuc.ca.gov

Energy Division Tariff Unit
California Public Utilities Commission
November 15, 2022
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The protest should be sent via email and U.S. Mail to Liberty at the address shown below on the same date it is mailed or delivered to the Commission:

Liberty Utilities (CalPeco Electric) LLC
Attn: Advice Letter Protests
933 Eloise Avenue
South Lake Tahoe, CA 96150
Email: CaseAdmin@libertyutilities.com

Notice

In accordance with General Order 96-B, Section 4.3, a copy of this Advice Letter is being sent electronically to parties shown on the attached service lists. Address change requests to Liberty's GO 96-B service list should be directed by electronic mail to:
AnnMarie.Sanchez@LibertyUtilities.com.

For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at ProcessOffice@cpuc.ca.gov.

If additional information is required, please do not hesitate to contact me.

Respectfully submitted,

LIBERTY

/s/ Cynthia Fisher
Cynthia Fisher
Manager, Rates and Regulatory Affairs
Email: Cindy.Fisher@libertyutilities.com

cc: Liberty General Order 96-B Service List

PRELIMINARY STATEMENT
(Continued)

11. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION

A. General:

Effective on or after August 1, 1988, all Contributions in Aid of Construction and Advances for Construction ("Contributions"), made to Liberty Utilities (CalPeco Electric) LLC ("Liberty") pursuant to its tariffs, shall include a cost component to cover Liberty's estimated liability for Federal Income Tax and California State Tax resulting therefrom, therefrom, pursuant to Decision 87-09-026.

B. Definition:

Contributions: Contributions in Aid for Construction and Advances for Construction shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon, provided by a person or agency to Liberty. The value of all contributions shall be based upon Liberty's estimates. Contributions shall consist of two components for purposes of recording transactions, as follows:

1. Income Tax Component of Contribution (ITCC); and
2. The balance of the contribution, excluding income taxes (Balance of Contribution).

C. Determination of ITCC:

The ITCC shall be calculated by multiplying the Balance of Contribution by the Tax Factor as shown in paragraph 2 below. Liberty will make an advice letter filing to reflect any changes in the Tax Factor which would cause an increase or decrease in the Tax Factor to five percentage points or more.

1. The Tax Factor is established by using Method 5, for the Federal Income Tax and California State Tax as set forth in Paragraphs 3.a. and 6., respectively, of Decision 87-09-026 in OII 86-11-019. The following factors have been, or are, in effect for the period shown;

| <u>Total Tax Factor</u> | | | |
|---|----------------------------|-------------------------------|----------------------|
| | <u>Distribution</u> | <u>Transmission</u> | |
| <u>Effective</u> | <u>Less Than 69</u> | <u>Greater Than 69</u> | <u>Advice</u> |
| | <u>kV</u> | <u>kV</u> | <u>Letter</u> |
| Prior to January 1, 1992 | .26 | - | 201-E-A |
| January 1, 1992 to June 30, 2002 | .31 | - | 216-E |
| July 1, 2002 to September 10, 2004 | .21 | - | 296-E |
| September 11, 2004 to February 29, 2008 | .31 | - | 216-E |
| March 1, 2008 to December 31, 2009 | .17 | .15 | 338-E |
| January 1, 2010 | .28 | .24 | 338-E |
| July 1, 2013 | .169 | - | 29-E |
| January 1, 2023 | .24 | | 204-E |

(N)

(Continued)

Advice Letter No. 204-E-A Issued by Edward N. Jackson Date Filed November 15, 2022
Decision No. _____ Name _____ Effective January 1, 2023
Title _____ Resolution No. _____

Attachment 1
Liberty's Income Tax Component of Contribution Calculation

**CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES
USING FORMULAS AS ORIGINALLY FILED
FOR ELECTRIC CONTRIBUTIONS RECEIVED ON AND AFTER 01/01/2023**

| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | (K) | (L) | (M) | (N) |
|------|--|--------------|--------------------------|----------------------|-------|-------------------------|------------------------|------------------------|-------------------------------------|----------------------------------|--|-------------------------|--|
| YEAR | TAX PMT/(BEN) REFLECTING CIAC OF \$1,000 | TAX BASIS | CA DEPRECIATION RATES | STATE TAX BENEFIT | FBOS | MODIFIED MACRS RATES | FEDERAL TAX BENEFIT | REMAINING CIAC PAYABLE | WTD. AVG. UNRECOVERED TAX PMT | PRE-TAX RATE OF RETURN 17% | REVENUE REQUIREMENT ON REMAINING INVESTMENT | DISCOUNT FACTOR 0.12 | DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT |
| 1 | 298.40 | 1,000 | 3.334% | 2.9473 | 0.62 | 3.750% | 7.875 | 287.578 | 295.534 | 17.00% | 50.24 | 0.8929 | \$44.8599 |
| 2 | (18.56) | | 6.445% | 5.6974 | 1.20 | 7.219% | 14.541 | 248.775 | 268.177 | 17.00% | 45.59 | 0.7972 | \$36.3444 |
| 3 | | | 6.016% | 5.3181 | 1.12 | 6.677% | 12.825 | 230.632 | 239.704 | 17.00% | 40.75 | 0.7118 | \$29.0056 |
| 4 | | | 5.615% | 4.9637 | 1.04 | 6.177% | 11.855 | 213.813 | 222.223 | 17.00% | 37.78 | 0.6355 | \$24.0078 |
| 5 | | | 5.241% | 4.6330 | 0.97 | 5.713% | 10.955 | 198.225 | 206.019 | 17.00% | 35.02 | 0.5674 | \$19.8722 |
| 6 | | | 4.892% | 4.3245 | 0.91 | 5.285% | 10.126 | 183.775 | 191.000 | 17.00% | 32.47 | 0.5066 | \$16.4493 |
| 7 | | | 4.566% | 4.0363 | 0.85 | 4.888% | 9.357 | 170.382 | 177.079 | 17.00% | 30.10 | 0.4523 | \$13.6158 |
| 8 | | | 4.261% | 3.7667 | 0.79 | 4.522% | 8.649 | 157.967 | 164.175 | 17.00% | 27.91 | 0.4039 | \$11.2727 |
| 9 | | | 3.977% | 3.5157 | 0.74 | 4.462% | 8.579 | 145.872 | 151.920 | 17.00% | 25.83 | 0.3606 | \$9.3130 |
| 10 | | | 3.712% | 3.2814 | 0.69 | 4.461% | 8.630 | 133.961 | 139.917 | 17.00% | 23.79 | 0.322 | \$7.6590 |
| 11 | | | 3.465% | 3.0631 | 0.64 | 4.462% | 8.681 | 122.217 | 128.089 | 17.00% | 21.78 | 0.2875 | \$6.2603 |
| 12 | | | 3.234% | 2.8589 | 0.60 | 4.461% | 8.725 | 110.633 | 116.425 | 17.00% | 19.79 | 0.2567 | \$5.0807 |
| 13 | | | 3.018% | 2.6679 | 0.56 | 4.462% | 8.770 | 99.195 | 104.914 | 17.00% | 17.84 | 0.2292 | \$4.0879 |
| 14 | | | 2.817% | 2.4902 | 0.52 | 4.461% | 8.808 | 87.897 | 93.546 | 17.00% | 15.90 | 0.2046 | \$3.2537 |
| 15 | | | 2.630% | 2.3249 | 0.49 | 4.462% | 8.847 | 76.725 | 82.311 | 17.00% | 13.99 | 0.1827 | \$2.5565 |
| 16 | | | 2.455% | 2.1702 | 0.46 | 4.461% | 8.880 | 65.675 | 71.200 | 17.00% | 12.10 | 0.1631 | \$1.9742 |
| 17 | | | 2.367% | 2.0924 | 0.44 | 4.462% | 8.914 | 54.668 | 60.172 | 17.00% | 10.23 | 0.1456 | \$1.4894 |
| 18 | | | 2.367% | 2.0924 | 0.44 | 4.461% | 8.929 | 43.647 | 49.158 | 17.00% | 8.36 | 0.13 | \$1.0864 |
| 19 | | | 2.367% | 2.0924 | 0.44 | 4.462% | 8.931 | 32.624 | 38.135 | 17.00% | 6.48 | 0.1161 | \$0.7527 |
| 20 | | | 2.367% | 2.0924 | 0.44 | 4.461% | 8.929 | 21.603 | 27.113 | 17.00% | 4.61 | 0.1037 | \$0.4780 |
| 21 | | | 2.367% | 2.0924 | 0.44 | 2.231% | 4.246 | 15.265 | 18.434 | 17.00% | 3.13 | 0.0926 | \$0.2902 |
| 22 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 13.612 | 14.438 | 17.00% | 2.45 | 0.0826 | \$0.2027 |
| 23 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 11.959 | 12.785 | 17.00% | 2.17 | 0.0738 | \$0.1604 |
| 24 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 10.306 | 11.132 | 17.00% | 1.89 | 0.0659 | \$0.1247 |
| 25 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 8.653 | 9.479 | 17.00% | 1.61 | 0.0588 | \$0.0948 |
| 26 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 7.000 | 7.826 | 17.00% | 1.33 | 0.0525 | \$0.0698 |
| 27 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 5.347 | 6.173 | 17.00% | 1.05 | 0.0469 | \$0.0492 |
| 28 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 3.693 | 4.520 | 17.00% | 0.77 | 0.0419 | \$0.0322 |
| 29 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 2.040 | 2.867 | 17.00% | 0.49 | 0.0374 | \$0.0182 |
| 30 | | | 2.367% | 2.0924 | 0.44 | (0.439) | (0.439) | 0.387 | 1.214 | 17.00% | 0.21 | 0.0334 | \$0.0069 |
| 31 | | | 1.184% | 1.0467 | 0.22 | (0.439) | (0.439) | (0.220) | 0.084 | 17.00% | 0.01 | 0.0298 | \$0.0004 |
| 32 | | | | | | | (0.220) | (0.000) | (0.110) | | | 0.0266 | |
| | 279.84 | 1,000 | 100% | 88.40 | 18.56 | 1.0000 | 191.436 | | | | 495.68 | | \$240.47 |
| | | | | | | | | | | | | | /1000 |
| | CIAC RECEIVED | 1,000 | | | | | | | | | | ITCC TAX FACTOR | 24.0% |

Attachment 2
The Tax Cuts and Jobs Act

One Hundred Fifteenth Congress of the United States of America

AT THE FIRST SESSION

*Began and held at the City of Washington on Tuesday,
the third day of January, two thousand and seventeen*

An Act

To provide for reconciliation pursuant to titles II and V of the concurrent resolution
on the budget for fiscal year 2018.

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

TITLE I

SECTION 11000. SHORT TITLE, ETC.

(a) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

Subtitle A—Individual Tax Reform

PART I—TAX RATE REFORM

SEC. 11001. MODIFICATION OF RATES.

(a) IN GENERAL.—Section 1 is amended by adding at the end the following new subsection:

“(j) MODIFICATIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) subsection (i) shall not apply, and

“(B) this section (other than subsection (i)) shall be applied as provided in paragraphs (2) through (6).

“(2) RATE TABLES.—

“(A) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—The following table shall be applied in lieu of the table contained in subsection (a):

“If taxable income is:

The tax is:

| | |
|---|--|
| Not over \$19,050 | 10% of taxable income. |
| Over \$19,050 but not over \$77,400 | \$1,905, plus 12% of the excess over \$19,050. |
| Over \$77,400 but not over \$165,000 | \$8,907, plus 22% of the excess over \$77,400. |
| Over \$165,000 but not over \$315,000 | \$28,179, plus 24% of the excess over \$165,000. |
| Over \$315,000 but not over \$400,000 | \$64,179, plus 32% of the excess over \$315,000. |

are substituted under subparagraph (A) and adjusted under this subparagraph.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

Subtitle C—Business-related Provisions

PART I—CORPORATE PROVISIONS

SEC. 13001. 21-PERCENT CORPORATE TAX RATE.

(a) IN GENERAL.—Subsection (b) of section 11 is amended to read as follows:

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) shall be 21 percent of taxable income.”.

(b) CONFORMING AMENDMENTS.—

(1) The following sections are each amended by striking “section 11(b)(1)” and inserting “section 11(b)”:

(A) Section 280C(c)(3)(B)(ii)(II).

(B) Paragraphs (2)(B) and (6)(A)(ii) of section 860E(e).

(C) Section 7874(e)(1)(B).

(2)(A) Part I of subchapter P of chapter 1 is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 12 is amended by striking paragraphs (4) and (6), and by redesignating paragraph (5) as paragraph (4).

(C) Section 453A(c)(3) is amended by striking “or 1201 (whichever is appropriate)”.

(D) Section 527(b) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed”

and inserting:

“(b) TAX IMPOSED.—A tax”.

(E) Sections 594(a) is amended by striking “taxes imposed by section 11 or 1201(a)” and inserting “tax imposed by section 11”.

(F) Section 691(c)(4) is amended by striking “1201”.

(G) Section 801(a) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed”

and inserting:

“(a) TAX IMPOSED.—A tax”.

(H) Section 831(e) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(I) Sections 832(c)(5) and 834(b)(1)(D) are each amended by striking “sec. 1201 and following”.

(J) Section 852(b)(3)(A) is amended by striking “section 1201(a)” and inserting “section 11(b)”.

(K) Section 857(b)(3) is amended—

(i) by striking subparagraph (A) and redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively,

(ii) in subparagraph (C), as so redesignated—

(I) by striking “subparagraph (A)(ii)” in clause (i) thereof and inserting “paragraph (1)”.

**PART III—COST RECOVERY AND ACCOUNTING
METHODS**

Subpart A—Cost Recovery

SEC. 13201. TEMPORARY 100-PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.

(a) INCREASED EXPENSING.—

(1) IN GENERAL.—Section 168(k) is amended—

(A) in paragraph (1)(A), by striking “50 percent” and inserting “the applicable percentage”, and

(B) in paragraph (5)(A)(i), by striking “50 percent” and inserting “the applicable percentage”.

(2) APPLICABLE PERCENTAGE.—Paragraph (6) of section 168(k) is amended to read as follows:

“(6) APPLICABLE PERCENTAGE.—For purposes of this subsection—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘applicable percentage’ means—

“(i) in the case of property placed in service after September 27, 2017, and before January 1, 2023, 100 percent,

“(ii) in the case of property placed in service after December 31, 2022, and before January 1, 2024, 80 percent,

“(iii) in the case of property placed in service after December 31, 2023, and before January 1, 2025, 60 percent,

“(iv) in the case of property placed in service after December 31, 2024, and before January 1, 2026, 40 percent, and

“(v) in the case of property placed in service after December 31, 2025, and before January 1, 2027, 20 percent.

“(B) RULE FOR PROPERTY WITH LONGER PRODUCTION PERIODS.—In the case of property described in subparagraph (B) or (C) of paragraph (2), the term ‘applicable percentage’ means—

“(i) in the case of property placed in service after September 27, 2017, and before January 1, 2024, 100 percent,

“(ii) in the case of property placed in service after December 31, 2023, and before January 1, 2025, 80 percent,

“(iii) in the case of property placed in service after December 31, 2024, and before January 1, 2026, 60 percent,

“(iv) in the case of property placed in service after December 31, 2025, and before January 1, 2027, 40 percent, and

“(v) in the case of property placed in service after December 31, 2026, and before January 1, 2028, 20 percent.

“(C) RULE FOR PLANTS BEARING FRUITS AND NUTS.—In the case of a specified plant described in paragraph (5), the term ‘applicable percentage’ means—

“(i) in the case of a plant which is planted or grafted after September 27, 2017, and before January 1, 2023, 100 percent,

“(ii) in the case of a plant which is planted or grafted after December 31, 2022, and before January 1, 2024, 80 percent,

“(iii) in the case of a plant which is planted or grafted after December 31, 2023, and before January 1, 2025, 60 percent,

“(iv) in the case of a plant which is planted or grafted after December 31, 2024, and before January 1, 2026, 40 percent, and

“(v) in the case of a plant which is planted or grafted after December 31, 2025, and before January 1, 2027, 20 percent.”.

(3) CONFORMING AMENDMENT.—

(A) Paragraph (5) of section 168(k) is amended by striking subparagraph (F).

(B) Section 168(k) is amended by adding at the end the following new paragraph:

“(8) PHASE DOWN.—In the case of qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017, paragraph (6) shall be applied by substituting for each percentage therein—

“(A) ‘50 percent’ in the case of—

“(i) property placed in service before January 1, 2018, and

“(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2018,

“(B) ‘40 percent’ in the case of—

“(i) property placed in service in 2018 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

“(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2019,

“(C) ‘30 percent’ in the case of—

“(i) property placed in service in 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

“(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2020, and

“(D) ‘0 percent’ in the case of—

“(i) property placed in service after 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

“(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service after 2020.”.

(b) EXTENSION.—

(1) IN GENERAL.—Section 168(k) is amended—

(A) in paragraph (2)—

(i) in subparagraph (A)(iii), clauses (i)(III) and (ii) of subparagraph (B), and subparagraph (E)(i), by striking “January 1, 2020” each place it appears and inserting “January 1, 2027”, and

(ii) in subparagraph (B)—

(I) in clause (i)(II), by striking “January 1, 2021” and inserting “January 1, 2028”, and

(II) in the heading of clause (ii), by striking “PRE-JANUARY 1, 2020” and inserting “PRE-JANUARY 1, 2027”, and

(B) in paragraph (5)(A), by striking “January 1, 2020” and inserting “January 1, 2027”.

(2) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 460(c)(6)(B) is amended by striking “January 1, 2020 (January 1, 2021” and inserting “January 1, 2027 (January 1, 2028”.

(B) The heading of section 168(k) is amended by striking “ACQUIRED AFTER DECEMBER 31, 2007, AND BEFORE JANUARY 1, 2020”.

(c) APPLICATION TO USED PROPERTY.—

(1) IN GENERAL.—Section 168(k)(2)(A)(ii) is amended to read as follows:

“(ii) the original use of which begins with the taxpayer or the acquisition of which by the taxpayer meets the requirements of clause (ii) of subparagraph (E), and”.

(2) ACQUISITION REQUIREMENTS.—Section 168(k)(2)(E)(ii) is amended to read as follows:

“(ii) ACQUISITION REQUIREMENTS.—An acquisition of property meets the requirements of this clause if—

“(I) such property was not used by the taxpayer at any time prior to such acquisition, and

“(II) the acquisition of such property meets the requirements of paragraphs (2)(A), (2)(B), (2)(C), and (3) of section 179(d).”

(3) ANTI-ABUSE RULES.—Section 168(k)(2)(E) is further amended by amending clause (iii)(I) to read as follows:

“(I) property is used by a lessor of such property and such use is the lessor’s first use of such property.”.

(d) EXCEPTION FOR CERTAIN PROPERTY.—Section 168(k), as amended by this section, is amended by adding at the end the following new paragraph:

“(9) EXCEPTION FOR CERTAIN PROPERTY.—The term ‘qualified property’ shall not include—

“(A) any property which is primarily used in a trade or business described in clause (iv) of section 163(j)(7)(A), or

“(B) any property used in a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.”.

(e) SPECIAL RULE.—Section 168(k), as amended by this section, is amended by adding at the end the following new paragraph:

“(10) SPECIAL RULE FOR PROPERTY PLACED IN SERVICE DURING CERTAIN PERIODS.—

“(A) IN GENERAL.—In the case of qualified property placed in service by the taxpayer during the first taxable year ending after September 27, 2017, if the taxpayer elects to have this paragraph apply for such taxable year,

paragraphs (1)(A) and (5)(A)(i) shall be applied by substituting '50 percent' for 'the applicable percentage'.

"(B) FORM OF ELECTION.—Any election under this paragraph shall be made at such time and in such form and manner as the Secretary may prescribe."

(f) COORDINATION WITH SECTION 280F.—Clause (iii) of section 168(k)(2)(F) is amended by striking "placed in service by the taxpayer after December 31, 2017" and inserting "acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017".

(g) QUALIFIED FILM AND TELEVISION AND LIVE THEATRICAL PRODUCTIONS.—

(1) IN GENERAL.—Clause (i) of section 168(k)(2)(A), as amended by section 13204, is amended—

(A) in subclause (II), by striking "or",

(B) in subclause (III), by adding "or" after the comma,

and

(C) by adding at the end the following:

"(IV) which is a qualified film or television production (as defined in subsection (d) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection, or

"(V) which is a qualified live theatrical production (as defined in subsection (e) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection."

(2) PRODUCTION PLACED IN SERVICE.—Paragraph (2) of section 168(k) is amended by adding at the end the following:

"(H) PRODUCTION PLACED IN SERVICE.—For purposes of subparagraph (A)—

"(i) a qualified film or television production shall be considered to be placed in service at the time of initial release or broadcast, and

"(ii) a qualified live theatrical production shall be considered to be placed in service at the time of the initial live staged performance."

(h) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided by paragraph (2), the amendments made by this section shall apply to property which—

(A) is acquired after September 27, 2017, and

(B) is placed in service after such date.

For purposes of the preceding sentence, property shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition.

(2) SPECIFIED PLANTS.—The amendments made by this section shall apply to specified plants planted or grafted after September 27, 2017.

SEC. 13202. MODIFICATIONS TO DEPRECIATION LIMITATIONS ON LUXURY AUTOMOBILES AND PERSONAL USE PROPERTY.

(a) LUXURY AUTOMOBILES.—

(1) IN GENERAL.—280F(a)(1)(A) is amended—

(A) in clause (i), by striking "\$2,560" and inserting "\$10,000",

(B) was prohibited under the Internal Revenue Code of 1986 prior to such amendments and is permitted under such Code after such amendments.

(e) SPECIAL RULES FOR ORIGINAL ISSUE DISCOUNT.—Notwithstanding subsection (c), in the case of income from a debt instrument having original issue discount—

(1) the amendments made by this section shall apply to taxable years beginning after December 31, 2018, and

(2) the period for taking into account any adjustments under section 481 by reason of a qualified change in method of accounting (as defined in subsection (d)) shall be 6 years.

PART IV—BUSINESS-RELATED EXCLUSIONS AND DEDUCTIONS

SEC. 13301. LIMITATION ON DEDUCTION FOR INTEREST.

(a) IN GENERAL.—Section 163(j) is amended to read as follows:
“(j) LIMITATION ON BUSINESS INTEREST.—

“(1) IN GENERAL.—The amount allowed as a deduction under this chapter for any taxable year for business interest shall not exceed the sum of—

“(A) the business interest income of such taxpayer for such taxable year,

“(B) 30 percent of the adjusted taxable income of such taxpayer for such taxable year, plus

“(C) the floor plan financing interest of such taxpayer for such taxable year.

The amount determined under subparagraph (B) shall not be less than zero.

“(2) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The amount of any business interest not allowed as a deduction for any taxable year by reason of paragraph (1) shall be treated as business interest paid or accrued in the succeeding taxable year.

“(3) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable year, paragraph (1) shall not apply to such taxpayer for such taxable year. In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if such taxpayer were a corporation or partnership.

“(4) APPLICATION TO PARTNERSHIPS, ETC.—

“(A) IN GENERAL.—In the case of any partnership—

“(i) this subsection shall be applied at the partnership level and any deduction for business interest shall be taken into account in determining the non-separately stated taxable income or loss of the partnership, and

“(ii) the adjusted taxable income of each partner of such partnership—

“(I) shall be determined without regard to such partner's distributive share of any items of income, gain, deduction, or loss of such partnership, and

“(II) shall be increased by such partner’s distributive share of such partnership’s excess taxable income.

For purposes of clause (ii)(II), a partner’s distributive share of partnership excess taxable income shall be determined in the same manner as the partner’s distributive share of nonseparately stated taxable income or loss of the partnership.

“(B) SPECIAL RULES FOR CARRYFORWARDS.—

“(i) IN GENERAL.—The amount of any business interest not allowed as a deduction to a partnership for any taxable year by reason of paragraph (1) for any taxable year—

“(I) shall not be treated under paragraph (2) as business interest paid or accrued by the partnership in the succeeding taxable year, and

“(II) shall, subject to clause (ii), be treated as excess business interest which is allocated to each partner in the same manner as the nonseparately stated taxable income or loss of the partnership.

“(ii) TREATMENT OF EXCESS BUSINESS INTEREST ALLOCATED TO PARTNERS.—If a partner is allocated any excess business interest from a partnership under clause (i) for any taxable year—

“(I) such excess business interest shall be treated as business interest paid or accrued by the partner in the next succeeding taxable year in which the partner is allocated excess taxable income from such partnership, but only to the extent of such excess taxable income, and

“(II) any portion of such excess business interest remaining after the application of subclause (I) shall, subject to the limitations of subclause (I), be treated as business interest paid or accrued in succeeding taxable years.

For purposes of applying this paragraph, excess taxable income allocated to a partner from a partnership for any taxable year shall not be taken into account under paragraph (1)(A) with respect to any business interest other than excess business interest from the partnership until all such excess business interest for such taxable year and all preceding taxable years has been treated as paid or accrued under clause (ii).

“(iii) BASIS ADJUSTMENTS.—

“(I) IN GENERAL.—The adjusted basis of a partner in a partnership interest shall be reduced (but not below zero) by the amount of excess business interest allocated to the partner under clause (i)(II).

“(II) SPECIAL RULE FOR DISPOSITIONS.—If a partner disposes of a partnership interest, the adjusted basis of the partner in the partnership interest shall be increased immediately before the disposition by the amount of the excess (if any) of the amount of the basis reduction under subclause (I) over the portion of any excess business

interest allocated to the partner under clause (i)(II) which has previously been treated under clause (ii) as business interest paid or accrued by the partner. The preceding sentence shall also apply to transfers of the partnership interest (including by reason of death) in a transaction in which gain is not recognized in whole or in part. No deduction shall be allowed to the transferor or transferee under this chapter for any excess business interest resulting in a basis increase under this subclause.

“(C) EXCESS TAXABLE INCOME.—The term ‘excess taxable income’ means, with respect to any partnership, the amount which bears the same ratio to the partnership’s adjusted taxable income as—

“(i) the excess (if any) of—

“(I) the amount determined for the partnership under paragraph (1)(B), over

“(II) the amount (if any) by which the business interest of the partnership, reduced by the floor plan financing interest, exceeds the business interest income of the partnership, bears to

“(ii) the amount determined for the partnership under paragraph (1)(B).

“(D) APPLICATION TO S CORPORATIONS.—Rules similar to the rules of subparagraphs (A) and (C) shall apply with respect to any S corporation and its shareholders.

“(5) BUSINESS INTEREST.—For purposes of this subsection, the term ‘business interest’ means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)).

“(6) BUSINESS INTEREST INCOME.—For purposes of this subsection, the term ‘business interest income’ means the amount of interest includible in the gross income of the taxpayer for the taxable year which is properly allocable to a trade or business. Such term shall not include investment income (within the meaning of subsection (d)).

“(7) TRADE OR BUSINESS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘trade or business’ shall not include—

“(i) the trade or business of performing services as an employee,

“(ii) any electing real property trade or business,

“(iii) any electing farming business, or

“(iv) the trade or business of the furnishing or sale of—

“(I) electrical energy, water, or sewage disposal services,

“(II) gas or steam through a local distribution system, or

“(III) transportation of gas or steam by pipeline,

if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, by a public service or public utility commission or other similar

body of any State or political subdivision thereof, or by the governing or ratemaking body of an electric cooperative.

“(B) ELECTING REAL PROPERTY TRADE OR BUSINESS.—For purposes of this paragraph, the term ‘electing real property trade or business’ means any trade or business which is described in section 469(c)(7)(C) and which makes an election under this subparagraph. Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable.

“(C) ELECTING FARMING BUSINESS.—For purposes of this paragraph, the term ‘electing farming business’ means—

“(i) a farming business (as defined in section 263A(e)(4)) which makes an election under this subparagraph, or

“(ii) any trade or business of a specified agricultural or horticultural cooperative (as defined in section 199A(g)(2)) with respect to which the cooperative makes an election under this subparagraph.

Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable.

“(8) ADJUSTED TAXABLE INCOME.—For purposes of this subsection, the term ‘adjusted taxable income’ means the taxable income of the taxpayer—

“(A) computed without regard to—

“(i) any item of income, gain, deduction, or loss which is not properly allocable to a trade or business,

“(ii) any business interest or business interest income,

“(iii) the amount of any net operating loss deduction under section 172,

“(iv) the amount of any deduction allowed under section 199A, and

“(v) in the case of taxable years beginning before January 1, 2022, any deduction allowable for depreciation, amortization, or depletion, and

“(B) computed with such other adjustments as provided by the Secretary.

“(9) FLOOR PLAN FINANCING INTEREST DEFINED.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘floor plan financing interest’ means interest paid or accrued on floor plan financing indebtedness.

“(B) FLOOR PLAN FINANCING INDEBTEDNESS.—The term ‘floor plan financing indebtedness’ means indebtedness—

“(i) used to finance the acquisition of motor vehicles held for sale or lease, and

“(ii) secured by the inventory so acquired.

“(C) MOTOR VEHICLE.—The term ‘motor vehicle’ means a motor vehicle that is any of the following:

“(i) Any self-propelled vehicle designed for transporting persons or property on a public street, highway, or road.

“(ii) A boat.

“(iii) Farm machinery or equipment.

“(10) CROSS REFERENCES.—

“(A) For requirement that an electing real property trade or business use the alternative depreciation system, see section 168(g)(1)(F).

“(B) For requirement that an electing farming business use the alternative depreciation system, see section 168(g)(1)(G).”.

(b) TREATMENT OF CARRYFORWARD OF DISALLOWED BUSINESS INTEREST IN CERTAIN CORPORATE ACQUISITIONS.—

(1) IN GENERAL.—Section 381(c) is amended by inserting after paragraph (19) the following new paragraph:

“(20) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The carryover of disallowed business interest described in section 163(j)(2) to taxable years ending after the date of distribution or transfer.”.

(2) APPLICATION OF LIMITATION.—Section 382(d) is amended by adding at the end the following new paragraph:

“(3) APPLICATION TO CARRYFORWARD OF DISALLOWED INTEREST.—The term ‘pre-change loss’ shall include any carryover of disallowed interest described in section 163(j)(2) under rules similar to the rules of paragraph (1).”.

(3) CONFORMING AMENDMENT.—Section 382(k)(1) is amended by inserting after the first sentence the following: “Such term shall include any corporation entitled to use a carryforward of disallowed interest described in section 381(c)(20).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13302. MODIFICATION OF NET OPERATING LOSS DEDUCTION.

(a) LIMITATION ON DEDUCTION.—

(1) IN GENERAL.—Section 172(a) is amended to read as follows:

“(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

“(1) the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, or

“(2) 80 percent of taxable income computed without regard to the deduction allowable under this section.

For purposes of this subtitle, the term ‘net operating loss deduction’ means the deduction allowed by this subsection.”.

(2) COORDINATION OF LIMITATION WITH CARRYBACKS AND CARRYOVERS.—Section 172(b)(2) is amended by striking “shall be computed—” and all that follows and inserting “shall—

“(A) be computed with the modifications specified in subsection (d) other than paragraphs (1), (4), and (5) thereof, and by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter,

“(B) not be considered to be less than zero, and

“(C) not exceed the amount determined under subsection (a)(2) for such prior taxable year.”.

(3) CONFORMING AMENDMENT.—Section 172(d)(6) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Liberty Utilities (CalPeco Electric) LLC (U-933 E)

Utility type:

☒ ELC ☐ GAS ☐ WATER
☐ PLC ☐ HEAT

Contact Person: Cindy Fisher

Phone #: 530-721-5191

E-mail: Cindy.Fisher@libertyutilities.com

E-mail Disposition Notice to: AnnMarie.Sanchez@libertyutilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 204-E-A

Tier Designation: 1

Subject of AL: Revision of the Income Tax Component of Contribution Pursuant to H.R. 1, Tax Cuts and Jobs Act of 2017

Keywords (choose from CPUC listing): Taxes

AL Type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Confidential treatment requested? ☐ Yes ☒ No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? ☐ Yes ☒ No

Requested effective date: 1/1/23

No. of tariff sheets: 1

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement - Income Tax Component of Contributions and Advances Provision

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name: Cindy Fisher
Title: Manager, Rates and Regulatory Affairs
Utility Name: Liberty Utilities (CalPeco Electric) LLC
Address: 9750 Washburn Road
City: Downey State: California
Telephone (xxx) xxx-xxxx: 530-721-5191
Facsimile (xxx) xxx-xxxx:
Email: Cindy.Fisher@libertyutilities.com

Name: AnnMarie Sanchez
Title: Coordinator
Utility Name: Liberty Utilities (California)
Address: 9750 Washburn Road
City: Downey State: California
Telephone (xxx) xxx-xxxx: 562-805-2052
Facsimile (xxx) xxx-xxxx:
Email:

Clear Form

ENERGY Advice Letter Keywords

| | | |
|---------------------------|--|--------------------------------|
| Affiliate | Direct Access | Preliminary Statement |
| Agreements | Disconnect Service | Procurement |
| Agriculture | ECAC / Energy Cost Adjustment | Qualifying Facility |
| Avoided Cost | EOR / Enhanced Oil Recovery | Rebates |
| Balancing Account | Energy Charge | Refunds |
| Baseline | Energy Efficiency | Reliability |
| Bilingual | Establish Service | Re-MAT/Bio-MAT |
| Billings | Expand Service Area | Revenue Allocation |
| Bioenergy | Forms | Rule 21 |
| Brokerage Fees | Franchise Fee / User Tax | Rules |
| CARE | G.O. 131-D | Section 851 |
| CPUC Reimbursement Fee | GRC / General Rate Case | Self Generation |
| Capacity | Hazardous Waste | Service Area Map |
| Cogeneration | Increase Rates | Service Outage |
| Compliance | Interruptible Service | Solar |
| Conditions of Service | Interutility Transportation | Standby Service |
| Connection | LIEE / Low-Income Energy Efficiency | Storage |
| Conservation | LIRA / Low-Income Ratepayer Assistance | Street Lights |
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| Contracts | Line Extensions | Tariffs |
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| Credit | Metered Energy Efficiency | Text Changes |
| Curtailable Service | Metering | Transformer |
| Customer Charge | Mobile Home Parks | Transition Cost |
| Customer Owned Generation | Name Change | Transmission Lines |
| Decrease Rates | Non-Core | Transportation Electrification |
| Demand Charge | Non-firm Service Contracts | Transportation Rates |
| Demand Side Fund | Nuclear | Undergrounding |
| Demand Side Management | Oil Pipelines | Voltage Discount |
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| Deposits | Portfolio | Withdrawal of Service |
| Depreciation | Power Lines | |

Liberty Utilities (CalPeco Electric) LLC
Advice Letter Filing Service List
General Order 96-B, Section 4.3

VIA EMAIL

gbinge@ktmnc.com;
emello@sppc.com;
epoole@adplaw.com;
cem@newsdata.com;
rmccann@umich.edu;
sheila@wma.org;
abb@eslawfirm.com;
cbk@eslawfirm.com;
bhodgeusa@yahoo.com;
chilen@nvenergy.com;
phanschen@mofo.com;
liddell@energyattorney.com;
cem@newsdata.com;
dietrichlaw2@earthlink.net;
ericj@eslawfirm.com;
clerk-recorder@sierracounty.ws;
plumascoco@gmail.com;
marshall@psln.com;
stephenhollabaugh@tdpud.org;
gross@portersimon.com;
mccluretahoe@yahoo.com;
catherine.mazzeo@swgas.com;
Theresa.Faegre@libertyutilities.com;
SDG&ETariffs@semprautilities.com;
bcragg@goodinmacbride.com;
AdviceTariffManager@sce.com;

edtariffunit@cpuc.ca.gov;
jrw@cpuc.ca.gov;
rmp@cpuc.ca.gov;
jaime.gannon@cpuc.ca.gov;
mas@cpuc.ca.gov;
txb@cpuc.ca.gov;
efr@cpuc.ca.gov;
tlg@cpuc.ca.gov;
dao@cpuc.ca.gov;
ljt@cpuc.ca.gov;
mmg@cpuc.ca.gov;
kjl@cpuc.ca.gov;
denise.tyrrell@cpuc.ca.gov;
fadi.daye@cpuc.ca.gov;
winnie.ho@cpuc.ca.gov;
usrb@cpuc.ca.gov;
Rob.Oglesby@energy.ca.gov;
stevegreenwald@dwt.com;
vidhyaprabhakaran@dwt.com;
judypau@dwt.com;
dwtcpucdockets@dwt.com;
patrickferguson@dwt.com;
travis.ritchie@sierraclub.org;
dan.marsh@libertyutilities.com;
sharon.yang@libertyutilities.com;
ginge@regintluc.com