

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



August 19, 2022

Tiffany Thong  
Manger, Rates and Regulatory Affairs  
Liberty Utilities (Park Water) Corp.  
9750 Washburn Road  
Downey, CA 90241

Dear Ms. Thong,

The Water Division of the California Public Utilities Commission has approved Liberty Utilities' (Park Water) Advice Letter No. 327, filed on July 28, 2022, regarding Rule 15 modifications relating to CIAC.

Enclosed are copies of the following revised tariff sheets, effective January 1, 2021, for the utility's files:

<b>P.U.C. Sheet No.</b>	<b>Title of Sheet</b>
1576-W	Rule No. 15, Main Extensions, Sheet 14 E. Income Tax Component of Contributions and Advances Provision
1577-W	Table Of Contents, Sheet 1
1578-W	Table Of Contents, Sheet 2

Please contact Jeremy Ho at [JRY@cpuc.ca.gov](mailto:JRY@cpuc.ca.gov) or 415-703-1905, if you have any questions.

Thank you.

Enclosures

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

**Advice Letter Cover Sheet**

**Utility Name:** Liberty Utilities (Park Water) Corp.      **Date Mailed to Service List:** July 28, 2022  
**District:** N/A  
**CPUC Utility #:** U 314-W      **Protest Deadline (20<sup>th</sup> Day):** August 17, 2022  
**Advice Letter #:** 327-W      **Review Deadline (30<sup>th</sup> Day):** August 27, 2022  
**Tier:**     1     2     3     Compliance      **Requested Effective Date:** January 1, 2021  
**Authorization**      **Rate Impact:** N/A

**Description:** Liberty Park Water submits this advice letter for Rule 15 modifications 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:** Tiffany Thong      **Utility Contact:** AnnMarie Sanchez  
**Phone:** 562.923.0711      **Phone:** 562.923.0711  
**Email:** [Tiffany.Thong@LibertyUtilities.com](mailto:Tiffany.Thong@LibertyUtilities.com)      **Email:** [AnnMarie.Sanchez@libertyutilities.com](mailto:AnnMarie.Sanchez@libertyutilities.com)  
**DWA Contact:** Tariff Unit  
**Phone:** (415) 703-1133  
**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

[ ] APPROVED                                  [ ] WITHDRAWN                                  [ ] REJECTED

**Signature:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

**Comments:** \_\_\_\_\_  
\_\_\_\_\_



Liberty Utilities (Park Water) Corp.  
9750 Washburn Road  
Downey, CA 90241-7002  
Tel: 562-923-0711  
Fax: 562-861-5902

Advice Letter No. 327-W

July 28, 2022

## **TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Liberty Utilities (Park Water) Corp. (U 346-W) (“Liberty Park Water”) respectfully submits the attached revised tariff sheets applicable to water service in its service area territory.

### **Summary**

Liberty Park Water requests approval to modify language for the Income Tax Component (“ITC”) of the “Contribution” provisions in Tariff Rule No. 15 related to grants. This advice letter is submitted as a Tier 1 filing requesting a retroactive effective date of January 1, 2021.

### **Background**

With the passage of H.R. 3684, only water services are treated as taxable income. H.R. 3684 also eliminated the taxability of grants received from governmental agencies, except for grants related to water services. The state of California did not conform its laws to the federal 2018 Tax Cuts and Jobs Act (“TCJA”), therefore no change to Rule No. 15 with respect to state taxation is required.

Liberty Park Water modified its Tariff Rule No. 15 in Advice Letter 288-W effective April 1, 2019, to update the income tax component of Contributions in Aid of Construction (“CIAC”) and Advances in Aid of Construction (“AIAC”) (“Contributions”), to reflect the federal TCJA signed into law on December 22, 2017.

On February 1, 2022, and the correction issued February 11, 2022 (a copy has been attached hereto), the Water Division issued a memorandum directing all water and sewer utilities to file a Tier 1 advice letter at their earliest convenience to bring their Tariff Rule No.15 into compliance with Section 80601 of H.R. 3684.<sup>1</sup> The changes should be made effective retroactively back to January 1, 2021, consistent with the effective date for Section 80601.

### **Discussion**

In response to the memorandum issued by the Water Division, Liberty Park Water is making a minor modification to its Tariff Rule No. 15, Section E – Income Tax Component of Contributions and Advances Provision to add clarification.

Liberty Park Water requests approval to update Section E.5, as redline and strikethrough below.

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~~ **tax-related rates change** 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.

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<sup>1</sup> Section 80601. Modification of Tax Treatment of Contributions to the Capital of a Corporation. (page 909. H.R. 3684).

**Tier Designation**

This advice letter is submitted with a Tier 1 designation.

**Effective Date**

Liberty Park Water is requesting that this filing become effective January 1, 2021.

**Notice and Service**

Customer Notice – This is a compliance advice letter that does not require customer notice, as provided in under Water Industry Rule 3.2 of General Order 96-B.

Service List - In accordance with General Order 96-B, General Rule 4.3 and 7.2, and Water Industry Rule 4.1, a copy of this advice letter will be mailed or electronically transmitted on July 28, 2022 to Liberty Park Water’s Advice Letter service list.

**Response or Protest**

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 upon 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;
- (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 re-litigating a prior order of the Commission.

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. A response or protest must be made in writing or by electronic mail and must be received by the Division of Water within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3<sup>rd</sup> floor  
California Public Utilities Commission  
505 Van Ness Avenue, San Francisco, CA 94102  
[Water.division@cpuc.ca.gov](mailto:Water.division@cpuc.ca.gov)

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to Liberty Park Water, addressed to:

Tiffany Thong  
Manager, Rates and Regulatory Affairs  
Liberty Utilities  
9750 Washburn Road  
P. O. Box 7002  
Downey, CA 90241  
Fax: (562) 861-5902  
E-Mail: [AdviceLetterService@libertyutilities.com](mailto:AdviceLetterService@libertyutilities.com)

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Division of Water and Audits 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.

If you have not received a reply to your protest within 10 business days, contact Tiffany Thong at [Tiffany.Thong@libertyutilities.com](mailto:Tiffany.Thong@libertyutilities.com).

Very truly yours,

LIBERTY UTILITIES (PARK WATER) CORP.

*/s/ Tiffany Thong*

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Tiffany Thong  
Manager, Rates and Regulatory Affairs

TT/as

cc: Hani Moussa, Public Advocates Office ([Hani.Moussa@cpuc.ca.gov](mailto:Hani.Moussa@cpuc.ca.gov))  
Public Advocates Office ([PublicAdvocatesWater@cpuc.ca.gov](mailto:PublicAdvocatesWater@cpuc.ca.gov))

<b>Cal P.U.C. Sheet No.</b>	<b>Title of Sheet</b>	<b>Cancelling Cal P.U.C. Sheet No.</b>
1576-W	RULE NO. 15 MAIN EXTENSIONS Sheet 14	1404-W
1577-W	TABLE OF CONTENTS Sheet 1	1575-W
1578-W	TABLE OF CONTENTS (continued) Sheet 2	1567-W

**RULE NO. 15**

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**MAIN EXTENSIONS**

**E. Income Tax Component of Contributions and Advances Provision**

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 tax-related rates change 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.

(C)

(Continued)

Advice Letter No. 327-W  
Decision No.

Issued by  
Edward N. Jackson  
PRESIDENT

Date Filed 07/28/2022  
Effective 01/01/2021  
Resolution No.

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

<b><u>Subject Matter of Sheet:</u></b>	<b><u>C.P.U.C. Sheet No.</u></b>	
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Service Area Map Los Angeles County .....	914-W, 499-W, 1498-W, 1410-W	

**Rate Schedules:**

Schedule No. PR-1-R Residential Metered Service.....	1524-W, 1563-W
Schedule No. ME-1-R General Metered Service.....	1430-W
Schedule No. PR-1-NR Nonresidential Metered Service.....	1525-W, 1562-W
Schedule No. PR-4F Non-Metered Fire Sprinkler Service.....	1526-W, 1512-W
Schedule No. PR-5 Fire Flow Testing Charge.....	1155-W
Schedule No. PR-6 Reclaimed Water Service.....	1527-W, 1513-W
Schedule No. PR-9CM Construction & Other Temporary Meter Service.....	1158-W
Schedule No. 14.1 Water Shortage Contingency Plan.....	1533-W through 1535-W, 1573-W, 1537-W through 1539-W, 1574-W
Schedule No. LC Late Payment Charge.....	1459-W
Schedule No. UF Surcharge to Fund PUC Reimbursement Fee.....	1462-W
Schedule No. CAP California Assistance Program.....	1519-W, 1520-W
Schedule No. CAP-SC California Assistance Program Surcharge.....	1521-W

**LIST OF CONTRACTS AND DEVIATIONS: 723-W**

**Rules:**

No. 1 Definitions .....	1432-W, 1433-W
No. 2 Description of Service .....	400-W
No. 3 Application for Service .....	345-W, 916-W
No. 4 Contracts .....	346-W
No. 5 Special Information Required on Forms .....	1453-W, 1454-W, 1434-W, 1435-W
No. 6 Establishment and Re-establishment of Credit .....	347-W
No. 7 Deposits .....	1014-W, 1161-W
No. 8 Notices 1436-W through .....	1439-W
No. 9 Rendering and Payment of Bills .....	1097-W through 1099-W, 1467-W
No. 10 Disputed Bills .....	1440-W, 1441-W
No. 11 Discontinuance and Restoration of Service .....	1460-W, 1443-W through 1452-W
No. 12 Information Available to Public .....	353-W, 354-W
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<b><u>Rules:</u></b> (continued)	
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No. 14.1 Water Conservation and Rationing Plan	1541-W Through 1552-W
No. 15 Main Extensions	741-W through 752-W, 1164-W, 1576-W, 1405-W (T)
No. 16 Service Connections, Meters, and Customer Facilities	1485-W through 1495-W
No. 17 Measurement of service	475-W
No. 18 Meter Tests and Adjustment of Bills for Meter Error	931-W, 367-W, 368-W
No. 19 Service to Separate Premises and Multiple Units and Resale of Water	638-W, 639-W
No. 20 Water Conservation	477-W
No. 21 Military Family Relief Program	910-W, 911-W
No. 22 Customer Information Sharing	1042-W
<b><u>Sample Forms:</u></b>	
No. 1 Application for Water Service	458-W
No. 2 Customer's Deposit Receipt	459-W
No. 3 Bill for Service	946-W, 947-W
No. 4 Main Extension Contract – Individuals	601-W
No. 5 Main Extension Contract	602-W
No. 11 Uniform Fire Hydrant Service Agreement	575-W
No. 12 Connection Fee Data Form	761-W
No. 13 Customer Assistance Program (CAP) Application	1565-W
No. 14 Confidentiality and Non-Disclosure Agreement	1043-W through 1046-W
No. 15 Fire Flow Test Application	1166-W

**Attachment**  
**Letter from Water Division dated February 11, 2022**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



February 11, 2022

To: All Investor-Owned Water and Sewer Utilities

SUBJECT: Correction to **February 1, 2022** Memo on Changes in Federal Tax Law – Contributions in Aid of Construction

It has come to our attention that a correction needs to be made to the Memo issued by Water Division on February 1, 2022, regarding compliance with changes to Federal Tax Law in accordance with H.R. 3684. Please see the below strikethrough of the original text from the memo and the revised language that follows as guidance to all investor-owned water and sewer utilities.

In response to the change in the federal tax law, Water Division requests utilities, at their earliest convenience, submit Tier 1 advice letters to bring their Tariff Rule 15 into compliance with Section 80601 of H.R. 3684. The changes should be made effective retroactively back to January 1, 2021, consistent with the effective date for Section 80601. ~~Further, any federal income taxes associated with Contributions in Aid of Construction that were received after December 31, 2020, should be refunded, with interest, to the contributor. Any ITC on Contributions in Aid of Construction collected by the utility other than for water and sewer service connections should cease immediately.~~

Further, any collections under Methods 2 or 5 as applicable to a utility's Rule 15 associated with Contributions in Aid of Construction or Advances that are no longer taxable under H.R. 3684 should immediately cease, and any such collections that were received after December 31, 2020 should be refunded, without interest, to the contributor.

Sincerely,

/s/TERENCE SHIA

Terence Shia, Director  
Water Division

Cc: Jennifer Capitolo, Executive Director, California Water Association  
Director, Public Advocates

City of Artesia  
18747 Clarkdale Avenue  
Artesia, CA 90701

City of Santa Fe Springs Water Dept.  
11710 Telegraph Road  
Santa Fe Springs, CA 90670

Suburban Water Systems  
Attention: Kiki Carlson  
1325 N. Grand Avenue, Suite 100  
Covina, CA 91724-4044  
[kcarlson@swwc.com](mailto:kcarlson@swwc.com)

Suburban Water Systems  
Attention: Robert Kelly  
1325 N. Grand Avenue, Suite 100  
Covina, CA 91724-4044

City of Cerritos Water Department  
18125 Bloomfield Avenue  
Cerritos, CA 90703

Bellflower Somerset Mutual Water Co.  
10016 E. Flower St.  
P. O. Box 1697 (90707)  
Bellflower, CA 90706

City of Norwalk Water Department  
12700 S. Norwalk Boulevard  
Norwalk, CA 90650

City of Compton Water Department  
205 W. Willowbrook  
Compton, CA 90220

Golden State Water Company  
Ronald Moore, Regulatory Affairs  
630 E. Foothill Blvd  
San Dimas, CA 91773

City of Lynwood Water Department  
Attention: Joseph Kekula  
11330 Bullis Road  
Lynwood, CA 90262

City of Paramount Water Department  
16400 Colorado Avenue  
Paramount, CA 90723

City of Bell Gardens  
Attention: Steve Steinbrecher  
7100 Garfield Avenue  
Bell Gardens, CA 90201

Dominguez/California Water Service  
2632 W. 237<sup>th</sup> Street  
Torrance, CA 90505-5272

Calif. Public Utilities Commission  
Attention: Ting-Pong Yuen  
ORA Water  
505 Van Ness Avenue  
San Francisco, CA 94102

California Water Service Company  
Attention: Daniel Armendariz  
East Los Angeles District  
2000 S. Tubeway Avenue  
Commerce, CA 90040

Central Basin Municipal Water District  
6252 Telegraph Road  
Commerce, CA 90040

City of Bellflower  
Attention: Jeff Stewart, City Manager  
16600 Civic Center Drive  
Bellflower, CA 90706

San Gabriel Valley Water Company  
Christina Sluss, Rate Analyst  
[csluss@sgvwater.com](mailto:csluss@sgvwater.com)

Nina Jazmadarian  
General Manager  
Foothill Municipal Water District  
4536 Hampton Road  
La Canada Flintridge, CA 91011

City of LaCanada Flintridge  
Mark Alexander  
City Manager  
[malexander@lcf.ca.gov](mailto:malexander@lcf.ca.gov)