

## 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 (Park Water) Corp.  
9750 Washburn Road  
Downey, CA 90241

Dear Mr. Jackson,

The Commission has approved Liberty Utilities' (Park Water) Advice Letter No. 288, 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:

<b>P.U.C.</b>	
<b>Sheet No.</b>	<b>Title of Sheet</b>
1404-W	Rule No. 15, page 1
1405-W	Rule No. 15, page 2
1406-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. 288-W

GREGORY S. SORENSEN

Date Filed

03/26/2019

Name

Effective

04/01/2019

Dec. No. \_\_\_\_\_

PRESIDENT

Title

Resolution No. \_\_\_\_\_

LIBERTY UTILITIES (PARK WATER) CORP.  
9750 WASHBURN ROAD  
P. O. BOX 7002  
DOWNEY, CALIFORNIA 90240

ORIGINAL Cal. P.U.C. Sheet No. 1405-W

Canceling \_\_\_\_\_ Cal. P.U.C. 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. 288-W GREGORY S. SORENSEN  
Name

Date Filed 03/26/2019

Dec. No. \_\_\_\_\_ PRESIDENT  
Title

Effective 04/01/2019

Resolution No. \_\_\_\_\_

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No. 14.1	Water Conservation and Rationing Plan		1241-W Through 1251-W
No. 15	Main Extensions	741-W through 752-W, 1164-W, 1404-W, 1405-W	(T)
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<b><u>Sample Forms:</u></b>			
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No. 2	Customer's Deposit Receipt		459-W
No. 3	Bill for Service	946-W, 947-W	
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(To be inserted by utility)	Issued By	(To be inserted by Cal. P.U.C.)
Advice No. <u>288-W</u>	<u>GREGORY S. SORENSEN</u> Name	Date Filed <u>03/26/2019</u>
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