

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>Effective</u>	<u>Distribution</u>	<u>Transmission</u>	<u>Advice Letter</u>
	<u>Less Than 69 kV</u>	<u>Greater Than 69 kV</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

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Issued by
Michael R. Smart

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(Continued)**D. Applicability:**

The ITCC shall apply to Contributions under Liberty's tariffs including but not limited to Rules 2, 13, 15, 16, 20 and 21, and Schedule SL/OL.

E. State Taxes:

California state tax imposed on Contributions, is collected in accordance with Ordering Paragraph 6 of Decision No. 87-09-026 and is included in that total tax liability factor shown in C.2.

F. Internal Revenue Service:

Liberty shall recover through rates any penalties, interest, or taxes incurred if the Internal Revenue Service deems the method of tax collection authorized by Decision No. 87-09-026 a violation of the tax normalization rules and imposes additional taxes, penalties, and interest.

G. Interest Rate:

When interest is payable under this part of the Preliminary Statement by the contributor to Liberty the interest rate shall be 1/12 of the most recent month's interest rate on Commercial paper (prime, 3 months), published by the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on commercial paper (prime, 3 months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on commercial paper, which most closely approximates the rate that was discontinued and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication.

12. SYMBOLS

When any change is proposed on a tariff sheet, attention shall be directed to such change by an appropriate character along the right-hand margin of the tariff sheet utilizing the following symbols:

- (C) To signify changed listing, rule or condition which may affect rates or charges.
- (D) To signify discontinued material including listing, rate, rule or condition.
- (I) To signify increase.

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