

# PROPOSED RESOLUTION

Resolution W-5230  
WD

Agenda ID #18761 (Rev. 1)  
Item #16 9/15 1pm

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5230  
September 24, 2020

### RESOLUTION

(RES. W-5230) SUBURBAN WATER SYSTEMS. ORDER  
AUTHORIZING SUBURBAN TO AMORTIZE THE 2019  
AMOUNT OF \$289,879, OR 0.34% OF AUTHORIZED  
REVENUES, CONTAINED IN ITS TAX CUTS AND JOBS  
ACT MEMORANDUM ACCOUNT RELATED TO THE 2019  
EXCESS ACCUMULATED DEFERRED FEDERAL INCOME  
TAX.

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By Advice Letter No. 348 filed on July 30, 2020.

### SUMMARY

This Resolution grants Suburban Water Systems' (Suburban) request in Advice Letter No. 348 the authority to amortize the 2019 amount of \$289,879 or 0.34% of authorized revenues, recorded in the Tax Cuts and Jobs Act Memorandum Account (TCJAMA) related to the 2019 excess accumulated deferred federal income tax (ADFIT) not reflected in rates for the period January 1, 2019 through December 31, 2019.

The 2019 balance of the TCJAMA will be amortized as a single monthly bill credit based on the customer's meter size. The credit amount includes interest and is to refund the excess ADFIT related to 2019 revenue requirement not currently reflected in rates. The one-time surcredits to amortize the net amount of 2019 excess ADFIT are as follows:

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-Metered Service:

Meter Size	One-Time Surcredit
5/8 x 3/4	\$1.97
3/4	\$2.95
1	\$4.92
1-1/2	\$9.83
2	\$15.74
3	\$29.50
4	\$49.17
6	\$98.35
8	\$157.35
10	\$226.20

-Private Fire Protection Service: \$0.96 per inch of service connection

-Fire Hydrant Service on Private Property: \$1.27 per fire hydrant

## BACKGROUND

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was signed into law, which decreased the federal corporate income tax rate from 35% to 21% effective for the tax year beginning January 1, 2018.

On the same day, the California Public Utilities Commission's (Commission) Water Division sent a letter to all Class A and B Water and Sewer utilities under its jurisdiction ordering the utilities to file Tier 1 advice letters to establish a memorandum account to track the impact of the TCJA on a Commission-jurisdictional revenue requirement not otherwise reflected in rates.

In compliance with the Commission's letter, on December 29, 2017, Suburban filed Advice Letter No. 326 to establish and implement the Tax Cuts and Jobs Act Memorandum Account (TCJAMA), which became effective on January 1, 2018.

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On January 16, 2018, Suburban and the Public Advocates' Office filed their "Joint Motion for Official Notice of Facts" in Suburban's pending General Rate Case (GRC) proceeding, Application (A.) 17-01-001, requesting that the Commission take official notice of the TCJA, which was enacted into law on December 22, 2017, and the TCJAMA established by advice letter 326-W.

On January 3, 2019, in compliance with the "Amended Scoping Memo and Ruling of Assigned Commissioner Amending Scope and Extending Statutory Period" dated November 27, 2018 (Amended Scoping Memo), Suburban filed its "Motion for Transitional Rate Relief and Modification of Procedural Schedule" (Motion). The Motion informed the Commission of the impossibility of Suburban submitting supplemental testimony regarding the TCJA impacts related to ADFIT on such a short notice, i.e., by January 11, 2019, as directed by the Amended Scoping Memo. As Suburban informed the Commission at that time, Suburban was in the process of retaining an outside consultant to analyze Suburban's GRC tax information, a process projected to take approximately six months to complete.

On May 30, 2019, the Commission issued Decision (D.)19-05-029, concluding Suburban's GRC A.17-01-001. Ordering paragraph 3.e in D.19-05-029 ordered Suburban to file a Tier 3 Advice Letter addressing the 2019 excess ADFIT by July 30, 2020.

## NOTICE AND PROTESTS

In accordance with General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, Suburban served copies of Advice Letter 348 to adjacent utilities and other parties requesting such notification on July 30, 2019. In accordance with Water Industry Rule 3.3 (*id.*), Suburban also posted the advice letter on its website.

No protests were received in response to the filing of Advice Letter No. 348.

## DISCUSSION

Suburban seeks authorization to amortize a total amount of \$289,879. This amount corresponds to a TCJAMA balance of \$195,413 of excess ADFIT from January 1, 2019 to December 31, 2019 not reflected in rates that has been grossed up<sup>1</sup>, plus interest. The purpose of the TCJAMA is to track the impact of the TCJA on the Commission-jurisdictional revenue requirement not otherwise reflected in rates.

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<sup>1</sup> Using the net-to-gross multiplier authorized in D.19-05-029, Appendix F, pg. 1 of 10.

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Water Division verified the TCJAMA balances by reviewing electronic copies of the original supporting workpapers from Suburban. Suburban correctly calculated the protected and unprotected ADFIT for 2019 based on the normalization provisions of the Internal Revenue Code.

After verifying the balances of the TCJAMA, Water Division reviewed the accuracy of the calculations for the surcredits. Suburban properly calculated the surcredits based on adopted customer counts from D.19-05-029 and subsequent approved advice letters. The surcredits will be disbursed as a one-time refund based on meter size,

We concur with Water Division's findings that the TCJAMA balances and surcredits are accurate and conclude Suburban's request to amortize the 2019 excess ADFIT balance from the TCJAMA is reasonable.

## COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code section 311(g)(2) the otherwise applicable 30-day period for public review and comment is waived.

## FINDINGS AND CONCLUSIONS

1. On July 30, 2020, Suburban Water Systems (Suburban) filed Advice Letter No. 348, pursuant to Decision (D.) 19-05-029, requesting amortization of the 2019 amount recorded in the Tax Cuts and Jobs Act Memorandum Account (TCJAMA) related to the 2019 excess accumulated deferred federal income tax (ADFIT) for the period January 1, 2019 through December 31, 2019.
2. The amount to be amortized is \$289,879. This balance will be refunded to customers via a one-time bill surcredit based on meter size.
3. The monthly surcredits to amortize the net amount of 2019 excess ADFIT are as follows:

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-Metered Service:

<b>Meter Size</b>	<b>One-Time Surcredit</b>
5/8 x 3/4	\$1.97
3/4	\$2.95
1	\$4.92
1-1/2	\$9.83
2	\$15.74
3	\$29.50
4	\$49.17
6	\$98.35
8	\$157.35
10	\$226.20

-Private Fire Protection Service: \$0.96 per inch of service connection

-Fire Hydrant Service on Private Property: \$1.27 per fire hydrant

4. The TCJAMA tracks the impact of the Tax Cuts and Jobs Act (TCJA) on Commission-jurisdictional revenue requirement not otherwise reflected in rates.
5. No protests were received for Advice Letter No. 348.
6. Water Division finds the balances of the TCJAMA to be correct and the resulting surcredits to be reasonable.

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## THEREFORE, IT IS ORDERED THAT:

1. Suburban Water Systems is authorized to amortize the excess accumulated deferred federal income tax (ADFIT), a total of \$289,879, for the period January 1, 2019 through December 31, 2019 through a one-time bill surcredit based on meter size as follows:

-Metered Service:

<b>Meter Size</b>	<b>One-Time Surcredit</b>
5/8 x 3/4	\$1.97
3/4	\$2.95
1	\$4.92
1-1/2	\$9.83
2	\$15.74
3	\$29.50
4	\$49.17
6	\$98.35
8	\$157.35
10	\$226.20

-Private Fire Protection Service: \$0.96 per inch of service connection

-Fire Hydrant Service on Private Property: \$1.27 per fire hydrant

2. On or before November 2, 2020, Suburban shall submit a supplement to Advice Letter 348 implementing the one-time refund consistent with the tariff sheets attached to this Resolution (Attachment 1). The refund will be effective the date the supplement is submitted.

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This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 24, 2020; the following Commissioners voting favorably thereon:

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RACHEL PETERSON  
Acting Executive Director

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**SUBURBAN WATER SYSTEMS  
ATTACHMENT 1**











Schedule WLM-2  
 (Continued)

WHITTIER/LA MIRADA SERVICE AREA  
NON RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

11. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to surcredit beginning on the effective date of Advice Letter 337-W. This surcredit will refund the 2018 balance in the Tax Cuts and Job Act Memorandum Account, and remain in effect for a 12-month period.

The table below shows the surcredit amount based on meter size:

Meter Size	Surcredit
5/8" x 3/4"	\$0.17
3/4"	\$0.26
1"	\$0.43
1-1/2"	\$0.86
2"	\$1.38
3"	\$2.58
4"	\$4.31
6"	\$8.61
8"	\$13.78
10"	\$19.80

12. As authorized by the California Public Utilities Commission (C.P.U.C.) pursuant to Advice Letter 339-W, beginning October 30, 2019, all bills are subject to a surcharge of \$0.214 per 100 cubic feet of water used. The surcharge will continue until the under-collection in the balancing account has been fully amortized, approximately 24 months.

13. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a one-time surcredit beginning on the effective date of Advice Letter 348-W. This one-time surcredit will refund the 2019 balance in the Tax Cuts and Job Act Memorandum Account. The table below shows the surcredit amount based on meter size:

(N)  
 |  
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 |  
 |  
 |  
 |  
 (N)

Meter Size	One-Time Surcredit
5/8" x 3/4"	\$1.97
3/4"	\$2.95
1"	\$4.92
1-1/2"	\$9.83
2"	\$15.74
3"	\$29.50
4"	\$49.17
6"	\$98.35
8"	\$157.35
10"	\$226.20

(To be inserted by utility)

**Issued by**

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

Advise Letter No. 348-W

Robert L. Kelly  
 Name

Date Filed \_\_\_\_\_

Decision No. 19-05-029

Vice President  
 Title

Effective \_\_\_\_\_

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

Schedule WLM-3  
 (Continued)

WHITTIER/LA MIRADA SERVICE AREA  
RECYCLED WATER METERED SERVICE

SPECIAL CONDITIONS

12. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to surcredit beginning on the effective date of Advice Letter 337-W. This surcredit will refund the 2018 balance in the Tax Cuts and Job Act Memorandum Account, and remain in effect for a 12-month period.

The table below shows the surcredit amount based on meter size:

Meter Size	Surcredit
5/8"x 3/4"	\$0.17
3/4"	\$0.26
1"	\$0.43
1-1/2"	\$0.86
2"	\$1.38
3"	\$2.58
4"	\$4.31
6"	\$8.61
8"	\$13.78
10"	\$19.80

13. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a one-time surcredit beginning on the effective date of Advice Letter 348-W. This one-time surcredit will refund the 2019 balance in the Tax Cuts and Job Act Memorandum Account. The table below shows the surcredit amount based on meter size: (N)

Meter Size	One-Time Surcredit
5/8"x 3/4"	\$1.97
3/4"	\$2.95
1"	\$4.92
1-1/2"	\$9.83
2"	\$15.74
3"	\$29.50
4"	\$49.17
6"	\$98.35
8"	\$157.35
10"	\$226.20

(N)

(To be inserted by utility)

**Issued by**

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

Advise Letter No. 348-W

Robert L. Kelly  
Name

Date Filed \_\_\_\_\_

Decision No. 19-05-029

Vice President  
Title

Effective \_\_\_\_\_

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

Schedule No. 4  
(Continued)

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Continued)

13. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to surcharge of \$0.91 for each inch of diameter of service connection. This surcharge will amortize the shortfall in revenue between the interim rates implemented on January 1, 2018 and pursuant to Decision 19-05-029 the rates approved in Advice Letter 335-W which became effective on July 6, 2019. This surcharge shall commence on August 7, 2019 and remain in effect for an estimated 36-month period or until the shortfall in revenue is fully amortized.
14. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to surcredit of \$0.08 for each inch of diameter of service connection, beginning on the effective date of Advice Letter 337-W. This surcredit will refund the 2018 balance in the Tax Cuts and Job Act Memorandum Account, and remain in effect for a 12-month period.
15. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a one-time surcredit of \$0.96 for each inch of diameter of service connection, beginning on the effective date of Advice Letter 348-W. This one-time surcredit will refund the 2019 balance in the Tax Cuts and Job Act Memorandum Account. (N)  
|  
|  
|  
(N)

(To be inserted by utility)

**Issued by**

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

Advise Letter No. 348-W Robert L. Kelly Date Filed  
Name  
Decision No. 19-05-029 Vice President Effective  
Title  
Resolution No. \_\_\_\_\_

Suburban Water Systems  
1325 N. Grand Ave., Ste. 100  
Covina, CA 91724-4044

Original Cal. P.U.C. Sheet No. 1733-W  
Canceling \_\_\_\_\_ Cal. P.U.C. Sheet No. \_\_\_\_\_

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FIRE HYDRANT SERVICE ON PRIVATE PROPERTY

SPECIAL CONDITIONS (Continued)

12. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills (N)  
are subject to a one-time surcredit of \$1.27 for each 6-inch standard fire hydrant, |  
beginning on the effective date of Advice Letter 348-W. This one-time surcredit |  
will refund the 2019 balance in the Tax Cuts and Job Act Memorandum Account. (N)

(To be inserted by utility)

**Issued by**

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

Advise Letter No. 348-W \_\_\_\_\_ Robert L. Kelly \_\_\_\_\_ Date Filed \_\_\_\_\_  
Name  
Decision No. 19-05-029 \_\_\_\_\_ Vice President \_\_\_\_\_ Effective \_\_\_\_\_  
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(Continued)

(To be inserted by utility)

**Issued by**

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

Advise Letter No. 348-W

Robert L. Kelly

Date Filed \_\_\_\_\_

Name

Decision No. 19-05-029

Vice President

Effective \_\_\_\_\_

Title

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

# PROPOSED RESOLUTION

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WD

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## SUBURBAN WATER SYSTEMS ADVICE LETTER NO. 348 SERVICE LIST

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