

Rule No. 15
Main Extensions

A. General Provisions and Definitions

1. Applicability

- a. All extensions of distribution mains, from the utility's basic production and transmission system or existing distribution system, to serve new customers, except for those specifically excluded below, shall be made under the provisions of this rule unless specific authority is first obtained from the Commission to deviate therefrom. A main extension contract shall be executed by the utility and the applicant or applicants for the main extension before the utility commences construction work on said extensions or, if constructed by applicant or applicants, before the facilities comprising the main extension are transferred to the utility.
- b. Extensions primarily for fire hydrant, private fire protection, resale, temporary, standby or supplemental service shall not be made under this rule.
- c. The utility may, but will not be required to, make extensions under this rule in easements or right-of-way where final grades have not been established, or where street grades have not been brought to those established by public authority. If extensions are made when grades have not been established and there is a reasonable probability that the existing grade will be changed, the utility shall require that the applicant or applicants for the main extension deposit, at the time of execution of the main extension agreement, the estimated net cost of relocating, raising or lowering facilities upon establishment of final grades. Adjustment of any difference between the amount so deposited and the actual cost of relocating, raising or lowering facilities shall be made within ten days after the utility has ascertained such actual cost. The net deposit representing actual cost is not subject to refund. The entire deposit related to the proposed relocation, raising or lowering shall be refunded when such displacements are determined by proper authority to be not required.

2. Limitation of Expansion

- a. When the outstanding advance contract balances reach 40 percent of total capital (defined, or the purpose of this rule, as proprietary capital, or capital stock and surplus, plus debt and advances for construction) the utility shall so notify the Commission within thirty days.

(Continued)

(To be inserted by utility)

Advice Letter No. 1678-W
Decision No. 16-12-067

Issued By
R. J. Sprowls
President

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

Date Filed February 8, 2017
Effective March 10, 2017
Resolution No. _____

Rule No. 15
Main Extensions

A. General Provisions and Definitions

2. Limitations of Expansion (continued)

- b. Whenever the outstanding advance contract balances plus the advance on a proposed new extension would exceed 50 percent of total capital, as defined in Section A.2.a. plus the advance on the proposed new extension, the utility shall not make the proposed new extension of distribution mains without authorization of the Commission. Such authorization may be granted by a letter from the Executive Director of the Commission.
- c. Whenever the outstanding advance contract balances reach the level cited in Section A.2.a. the utility shall so notify the Commission within thirty days. (T)
(T)

3. Definitions

- a. A "bona fide customer," for the purpose of this rule, shall be a customer (excluding any customer formerly served at the same location) who has given satisfactory evidence that service will be reasonably permanent to the property which has been improved with a building of a permanent nature, and to which service has commenced. The provision of service to a real estate developer or builder, during the construction or development period, shall not establish him as a bona fide customer.
- b. A "real estate developer" or "builder," for the purpose of this rule, shall include any individual, association of individuals, partnership, or corporation that divides a parcel of land into two or more portions, or that engages in the construction and resale of individual structures on a continuing basis.
- c. The "adjusted construction cost," for the purpose of this rule, shall be reasonable and shall not exceed the costs recorded in conformity with generally accepted water utility accounting practices, and as specifically defined in the Uniform System of Accounts for Water Utilities prescribed by the Commission for installing facilities of adequate capacity for the service requested. If the utility, at its option, should install facilities with a larger capacity or resulting in a greater footage of extension than required for the service requested, the "adjusted construction cost," for the purpose of this rule, shall be determined by the application of an adjustment factor to actual construction cost of facilities installed. This factor shall be the ratio of estimated cost of required facilities to estimated cost of actual facilities installed.

(Continued)

(To be inserted by utility)

Advice Letter No. 1678-W
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Effective March 10, 2017
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A. General Provisions and Definitions

4. Ownership, Design, and Construction of Facilities

- a. Any facilities installed hereunder shall be the sole property of the utility. In those instances in which title to certain portions of the installation, such as fire hydrants, will be held by a political subdivision, such facilities shall not be included as a part of the main extension under this rule, and will neither be owned by the utility nor subject to refund under the provisions of Section C.2. of this rule.
- b. The size, type, quality of materials, and their location, shall be specified by the utility; and the actual construction shall be done by the utility or by a constructing agency acceptable to it.
- c. Where the property of an applicant is located adjacent to a right-of-way, exceeding 70 feet in width, for a street, highway, or other public purpose, regardless of the width of the traveled way or pavement; or on a freeway, waterway, or railroad right-of-way, the utility may elect to install a main extension on the same side thereof as the property of the applicant, and the estimated and adjusted construction costs in such case shall be based upon such an extension.
- d. When an extension must comply with an ordinance, regulation, or specification of a public authority, the estimated and adjusted construction costs of said extension shall be based upon the facilities required to comply therewith.
- e. If the following provisions for water conservation are included in local building codes and/or ordinances, the main extension contract shall contain these provisions:
 - (1) All interior plumbing in new buildings shall meet the following requirements:
 - (a) Toilets shall not use more than 3-1/2 gallons per flush, except that toilets and urinals with flush valves may be installed.
 - (b) Shower heads shall contain flow controls which restrict flow to a maximum of approximately 3 gallons per minute.

(Continued)

(To be inserted by utility)

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A. General Provisions and Definitions

4. Ownership, Design, and Construction of Facilities (Continued)

(c) Kitchen and lavatory faucets shall have flow controls which restrict flow to a maximum of approximately 2 gallons per minute.

(2) All new parks, median strips, landscaped public areas and landscaped areas surrounding condominiums, townhouses, apartments and industrial parks shall have a well-balanced automatic irrigation system designed by a landscape architect or other competent person, and shall be operated by electric time controller stations set for early morning irrigation.

5. Estimates, Plans, and Specifications

- a. Upon request by a potential applicant for a main extension of 100 feet or less, the utility shall prepare, without charge, a preliminary sketch and rough estimates of the cost of installation to be advanced by said applicant.
- b. Any applicant for a main extension requesting the utility to prepare detailed plans, specifications, and cost estimates shall be required to deposit with the utility an amount equal to the estimated cost of preparation of such material. The utility shall, upon request, make available within 45 days after receipt of the deposit referred to above, such plans, specifications, and cost estimates of the proposed main extension. If the extension is to include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in the plans, specifications, and cost estimates.
- c. In the event a main extension contract with the utility is executed within 180 days after the utility furnishes the detailed plans and specification, the deposit shall become a part of the advance, and shall be refunded in accordance with the terms of the main extension contract. If such contract is not so executed, the deposit to cover the cost of preparing plans, specifications, and cost estimates shall be forfeited by the applicant for the main extension and the amount of the forfeited deposit shall be credited to the account or accounts to which the expense of preparing said material was charged.

(Continued)

(To be inserted by utility)

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A. General Provisions and Definitions

5. Estimates, Plans, and Specifications (Continued) (T)
- d. When detailed plans, specifications, and cost estimates are requested, the applicant for a main extension shall furnish a map to a suitable scale showing the street and lot layouts and, when requested by the utility, contours or other indication of the relative elevation of the various parts of the areas to be developed. If changes are made subsequent to the presentation of this map by the applicant, and these changes require additional expense in revising plans, specifications, and cost estimates, this additional expense shall be borne by the applicant, not subject to refund, and the additional expense thus recovered shall be credited to the account or accounts to which the additional expense was charged.
6. Timing and Adjustment of Advances
- a. Unless the applicant for the main extension elects to arrange for the installation of the extension himself, as permitted by Section C.1.c., the full amount of the required advance or an acceptable surety bond must be provided to the utility at the time of execution of the main extension agreement.
- b. If the applicant for a main extension posts a surety bond in lieu of cash, such surety bond must be replaced with cash not less than ten calendar days before construction is to commence; provided, however, that if special facilities are required primarily for the service requested, the applicant for the extension may be required to deposit sufficient cash to cover the cost of such special facilities before they are ordered by the utility.
- c. An applicant for a main extension who advances funds shall be provided with a statement of actual construction costs and adjusted construction cost showing in reasonable detail the costs incurred for material, labor, any other direct or indirect costs, overheads, and total costs; or unit costs; or contract costs, whichever are appropriate.
- d. Said statement shall be submitted within sixty days after the actual construction costs of the installation have been ascertained by the utility. In the event that the actual construction costs for the entire installation shall not have been determined within 120 days after completion of construction work, a preliminary determination of actual and adjusted construction costs shall be submitted, based upon the best available information at that time. (T)

(Continued)

(To be inserted by utility)

Advice Letter No. 1678-W
Decision No. 16-12-067

Issued By
R. J. Sprowls
President

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Effective March 10, 2017
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A. General Provisions and Definitions

6. Timing and Adjustment of Advances (Continued) (T)

- e. Any difference between the adjusted construction costs and the amount advanced shall be shown as a revision of the amount of advance and shall be payable within thirty days of date of submission of statement.

7. Assignment of Main Extension Contracts

Any contract entered into under Sections B and C of this rule, or under similar provisions of former rules, may be assigned, after settlement of adjusted construction costs, after written notice to the utility by the holder of said contract as shown by the utility's records. Such assignment shall apply only to those refunds which become due more than thirty days after the date of receipt by the utility of the notice of assignment. The utility shall not be required to make any one refund payment under such contract to more than a single assignee.

8. Interpretation and Deviations

In case of disagreement or dispute regarding the application of any provision of this rule, or in circumstances where the application of this rule appears unreasonable to either party, the utility, applicant or applicants may refer the matter to the Commission for determination.

B. Extensions to Serve Individuals

1. Payment

Extensions of water mains to serve new individual customers shall be paid for and contributed to the utility by the individual customer requesting the main extension. Calculation of payment shall be on the basis of a main not in excess of 6" in diameter, except where a larger main is required by the special needs of the new customer. The utility shall be responsible for installing and paying for service pipes, meter boxes and meters to serve the new individual customer; provided, however, a Class C or Class D utility, or a Class A or Class B utility district or subsidiary serving 2000 or fewer connections, may accept from individual customers amounts in contribution as a connection fee calculated pursuant to the Commission's Connection Fee Data Form contained in the utility's tariffs.

(Continued)

(To be inserted by utility)

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B. Extensions to Serve Individuals (continued)

2. Refunds

If subsequent applicants for water service are connected directly to the main extension contributed by the original individual customer, such subsequent applicants shall pay to the utility an amount equal to the cost of 100 feet of the original extension. Such amounts shall be immediately refunded by the utility to the initial customer who originally paid for and contributed the main extension to the utility. Total payments to the initial customer by subsequent applicants for water service who are connected directly to the extension shall not exceed the original cost of the extension. No refunds shall be made after a period of ten years from completion of the main extension.

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers

1. Advances

- a. Unless the procedure outlined in Section C.1.c., is followed, an applicant for a main extension to serve a new subdivision, tract, housing project, industrial development or organized commercial district shall be required to advance to the utility, before construction is commenced, the estimated reasonable cost of the extension to be actually installed, from the nearest utility facility at least equal in size or capacity to the main capacity to the main required to serve both the new customers and a reasonable estimate of the potential customers who might be served directly from the main extension. The costs of the extension shall include necessary service stubs or service pipes, fittings, gates and housing thereof, and meter boxes, but shall not include meters. To this shall be added the cost of fire hydrants when requested by the applicant for the main extension or required by public authority, whenever such hydrants are to become the property of the utility.
- b. If special facilities consisting of items not covered by Section C.1.a. are required for the service requested and, when such facilities to be installed will supply both the main extension and other parts of the utility's system, at least 50 percent of the design capacity (in gallons, gpm, or other appropriate units) is required to supply the main extension, the cost of such special facilities may be included in the advance, subject to refund, as hereinafter provided, along with refunds of the advance of the cost of the extension facilities described in Section C.1.a. above except as specified in Section C.1.f below.

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(To be inserted by utility)

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Decision No. 16-12-067

Issued By
R. J. Sprowls
President

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

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Effective March 10, 2017
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C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers

1. Advances (continued)

c. In lieu of providing the advances in accordance with Sections C.1.a. and C.1.b., the applicant for the main extension shall be permitted, if qualified in the Judgment of the utility, to construct and install the facilities himself, or arrange for their installation pursuant to competitive bidding procedures initiated by him and limited to the qualified bidders. The cost, including the cost of inspection and supervision by the utility, shall be paid directly by applicant. The applicant shall provide the utility with a statement of actual construction cost in reasonable detail. The amount to be treated as an advance subject to refund shall be the lesser of (1) the actual cost or (2) the price quoted in the utility's detailed cost estimate. The installation shall be in accordance with the plans and specifications submitted by the utility pursuant to Section A.5.b.

d. If, in the opinion of the utility, it appears that proposed main extension will not, within a reasonable period, develop sufficient revenue to make the extension self-supporting, or if for some other reason it appears to the utility that a main extension contract would place an excessive burden on customers, the utility may require non-refundable contributions of plant facilities from developers in lieu of a main extension contract.

If an applicant for a main extension contract who is asked to contribute the facilities believes such a request to be unreasonable, such applicant may refer the matter to the Commission for determination, as provided for in Section A.8. of this rule.

e. Applicants requesting a new service connection, a new water meter or an increase in the size of their existing service connection and/or existing water meter resulting in increased demand within the Santa Maria Customer Service Area, as defined on the Service Area Maps, must provide a source of supplemental water to offset the increased water demand, pursuant to the Court adopted Stipulation in Santa Maria Valley Water Conservation District v. City of Santa Maria, et al. (and related actions), Lead Case No. CV 770214, Superior Court of the State of California, County of Santa Clara, in January 2008, and Commission Decision No. 13-05-011. Where and when available, applicants may remit payment to a third party public agency a water resource demand offset fee in lieu of providing a source of supplemental water, provided such fee fully offsets the cost, and results in the dedication to GSWC, of a source of supplemental water sufficient to meet the water demands of the service requested. (D)

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(To be inserted by utility)

Advice Letter No. 1884-W
Decision No. _____

Issued By
R. J. Sprowls
President

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

Date Filed August 30, 2022
Effective September 29, 2022
Resolution No. _____

Rule No. 15
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C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers

1. Advances (continued)

- e. The condition will not apply if one (1) the applicant is not an existing Golden State Water Company customer and provides Golden State Water Company with a final Can and Will Serve Letter and/or recorded land use entitlement demonstrating a prior obligation to serve the parcel with water service, or two (2) the applicant is an existing customer (with an existing connection, water meter, and service agreement) and all of the following criteria are satisfied:
 - a. The new dwelling is authorized under applicable state and/or local Accessory Dwelling Unit ("ADU") regulations, as they may be amended from time to time.
 - b. The new dwelling (and/or request land use entitlement) only requires a ministerial land use permit or other form of land use entitlement.
 - c. The applicant currently has one (1) service line/connection of 1-inch or less.
 - d. Water service to both the existing dwelling structure and the proposed ADU can be provided with one (1), 1-inch service line/connection or less.
- f. A special facilities fee for water supply will be included as a non-refundable contribution in lieu of any domestic water supply requirement covered under Section C.1.b. in some areas. The districts and fees applicable are shown below.

(N)

 (N)

<u>CSA</u>	<u>Facilities Fee</u>
Santa Maria	\$2,400

This fee is per equivalent 1-inch service and below plus any applicable gross-up for income taxes and is applicable to all subdivisions requiring a main extension.

The following factors are used to determine equivalents for larger service connections:

<u>Service Size</u>	<u>Factor</u>	<u>Service Size</u>	<u>Factor</u>
1-inch (or less)	1.0	6-inch	20.0
1 1/2-inch	2.0	8-inch	32.0
2-inch	3.2	10-inch	46.0
4-inch	10.0		

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(To be inserted by utility)	<i>Issued By</i>	(To be inserted by P.U.C.)
Advice Letter No. <u>1884-W</u>	R. J. Sprowls	Date Filed <u>August 30, 2022</u>
Decision No. _____	President	Effective <u>September 29, 2022</u>
		Resolution No. _____

Rule No. 15
Main Extensions

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers

2. Refunds

- a. The amount advanced under Sections C.1.a., C.1.b., and C.1.c. shall be subject to refund by the utility, in cash, without interest, to the party or parties entitled thereto as set forth in the following two paragraphs. The total amount so refunded shall not exceed the total of the amount advanced and for a period not to exceed 40 years after the date of the contract.
- b. Payment of refunds shall be made not later than June 30 of each year, beginning the year following execution of contract, or not later than 6 months after the contract anniversary date if on an anniversary date basis.
- c. Whenever costs of main extensions and/or special facilities have been advanced pursuant to Section C.1.a., C.1.b. or C.1.c., the utility shall annually refund to the contract holders an amount equal to 2-1/2 percent of the advances until the principal amounts of the contracts have been fully repaid.

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Whenever costs of special facilities have been advanced pursuant to Sections C.1.b. or C.1.c., the amount so advanced shall be divided by the number of lots (or living units, whichever is greater) which the special facilities are designed to serve, to obtain an average advance per lot (or living unit) for special facilities. When another builder applies for a main extension to serve any lots for which the special facilities are to be used, the new applicant shall, in addition to the costs of his proposed main extension, also advance an amount for special facilities. This amount shall be the average advance per lot for special facilities for each lot to be used less 2-1/2 percent of the average for each year in which advances have been due and payable on the original contract, prorated to June 30 on a monthly basis.

The amount advanced to the utility by the new applicant shall be immediately refunded to the holder of the original contract, which included the cost of the special facilities, and the original contract advance will be reduced accordingly. The utility will thenceforth refund 2-1/2 percent annually on each of the contract amounts, as determined above, to the holders of the contracts.

Advances and refunds based on additional builder participation will be determined in similar manner.

In no case shall the refund on any contract exceed the amount advanced.

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(To be inserted by utility)

Advice Letter No. 1884-W
Decision No. _____

Issued By
R. J. Sprowls
President

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

Date Filed August 30, 2022
Effective September 29, 2022
Resolution No. _____

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C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers

2. Refunds (Continued)

- d. With respect to a contract entered into before the effective date of this tariff sheet if, at any time during the 20-year refund period, 80 percent of the bona fide customers for which the extension or special facilities were designed are being served therefrom, the utility may, with the approval of the contract holder, modify the contract so that the utility shall become obligated to pay, in cash, any balance which may remain un-refunded at the end of said 20-years period. Such balance shall be refunded in five equal annual installments, payable beginning 21 years after the date of the contract.

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3. Termination of Main Extension Contracts

- a. Any contract whose refunds are based on a percentage of the amount advanced may be purchased by the utility and terminated provided that the terms are mutually agreed to by the parties or their assignees and Section C.3.c. and Section C.3.d. are complied with. The maximum price that may be paid by the utility to terminate a contract shall be calculated by multiplying the remaining unrefunded contract balance times the appropriate termination factor set out below. No contract that has been in effect for less than 10 years shall be terminated without prior Commission approval.

Termination Factors

<u>Years</u> <u>Remaining</u>	<u>Factor</u>	<u>Years</u> <u>Remaining</u>	<u>Factor</u>	<u>Years</u> <u>Remaining</u>	<u>Factor</u>	<u>Years</u> <u>Remaining</u>	<u>Factor</u>
1	.8929	11	.5398	21	.3601	31	.2608
2	.8450	12	.5162	22	.3475	32	.2535
3	.8006	13	.4941	23	.3356	33	.2465
4	.7593	14	.4734	24	.3243	34	.2399
5	.7210	15	.4541	25	.3137	35	.2336
6	.6852	16	.4359	26	.3037	36	.2276
7	.6520	17	.4188	27	.2942	37	.2218
8	.6210	18	.4028	28	.2851	38	.2136
9	.5920	19	.3877	29	.2766	39	.2111
10	.5650	20	.3729	30	.2685	40	.2061

(Continued)

(To be inserted by utility)	<i>Issued By</i>	(To be inserted by P.U.C.)
Advice Letter No. <u>1884-W</u>	R. J. Sprowls	Date Filed <u>August 30, 2022</u>
Decision No. _____	President	Effective <u>September 29, 2022</u>
		Resolution No. _____

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C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers

3. Termination of Main Extension Contracts (continued)

b. Any contract with refunds based upon percentage of revenues and entered into under Section C. of the former rule may be purchased by the utility and terminated provided the payment is not in excess of the estimated revenue refund multiplied by the termination factor in the following table, the terms are otherwise mutually agreed to by the parties or their assignees and Section C.3.c. and Section C.3.d. hereof are complied with. The estimated revenue refund is the amount that would otherwise be refunded, at the current level of refunds, over the remainder of the twenty-year contract period, or shorter period that would be required to extinguish the total refund obligation. It shall be determined by multiplying 22 percent of the average annual revenue per service for the immediately preceding calendar year by the number of bona fide customers at the proposed termination date, times the number of years or fractions thereof to the end of the twenty-year contract period or shorter period that would be required to refund the remaining contract balance.

Termination Factors

<u>Years</u> <u>Remaining</u>	<u>Factor</u>	<u>Years</u> <u>Remaining</u>	<u>Factor</u>
1	.8929	11	.5398
2	.8450	12	.5162
3	.8006	13	.4941
4	.7593	14	.4734
5	.7210	15	.4541
6	.6852	16	.4359
7	.6520	17	.4188
8	.6210	18	.4028
9	.5920	19	.3877
10	.5650		

c. The utility shall furnish promptly to the Commission the following information, in writing, and shall obtain prior authorization by a formal application under Sections 816-830 of the Public Utilities Code if payment is to be made other than in cash:

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(To be inserted by utility)	<i>Issued By</i>	(To be inserted by P.U.C.)
Advice Letter No. <u>1678-W</u>	R. J. Sprowls	Date Filed <u>February 8, 2017</u>
Decision No. <u>16-12-067</u>	President	Effective <u>March 10, 2017</u>
		Resolution No. _____

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C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers

3. Termination of Main Extension Contracts (continued)

- c. (1) A copy of the main extension contract, together with data adequately describing the development for which the advance was made and the total adjusted construction cost of the extension.
- (2) The balance unpaid on the contract and the calculation of the maximum termination price, as above defined, as of the date of termination and the terms under which the obligation was terminated.
- (3) The name of the holder of the contract when terminated.
- d. Discounts obtained by the utility from contract terminated under the provisions of this section shall be accounted for by credits to Ac. 265, Contributions in Aid of Construction.

D. Extensions Designed to Include Fire Protection

- 1. The cost of distribution mains designed to meet the fire flow requirements set forth in Section VI.2. of General Order No. 103 is to be advanced by the applicant. The utility shall refund this advance as provided in Sections B.2. and C.2. of this rule. (T)
- 2. Should distribution mains be designed to meet fire flow requirements in excess of those set forth in Section VI.2. of General Order No. 103, the increase in cost of the distribution mains necessary to meet such higher fire flow requirements shall be paid to the utility as a contribution in aid of construction. (T)
- 3. The cost of facilities other than hydrants and distribution mains required to provide supply, pressure, or storage primarily for fire protection purposes, or portions of such facilities allocated in proportion to the capacity designed for fire protection purposes, shall be paid to the utility as a contribution in aid of construction.

(Continued)

(To be inserted by utility)

Advice Letter No. 1678-W
Decision No. 16-12-067

Issued By
R. J. Sprowls
President

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

Date Filed February 8, 2017
Effective March 10, 2017
Resolution No. _____

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E. Income Tax Component of Contribution Provision

1. **General:** Pursuant to Decision 87-09-026, as modified by Decisions 87-12-028, 88-07-020, 91-04-068 and 96-10-037 and Resolution W-4263, all Contributions in Aid of Construction and Advances for Construction (collectively referred to as "Contributions") made to the Utility pursuant to its tariffs shall include a cost component to cover the Utility's estimated federal and California ("State") income tax liabilities resulting from such Contributions.

2. **Definitions**

a. **Contributions:** Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon as provided to the Utility by a person or agency. The value of all Contributions shall be based on the Utility's estimates. Contributions shall consist of two components as follows:

- (1) Income Tax Component of Contribution ("ITCC"), and
- (2) The balance of the Contribution ("Balance of Contribution")

b. **Government Agency:** For purposes of administering this Rule, a Government Agency shall be a federal, state, county, or local government agency.

c. **Public Benefit:** Where, in the opinion of the Utility, a benefit to the public as a whole is clearly shown by the Government Agency making the Contribution for a project.

d. **Cost Estimates:** Cost estimates for utility-installed extensions, advances from developers, refunds, and job-specific estimates for competitive bidders shall include a tax component.

e. **Connection for Multiple Customers:** A connection where the connection or service line serves, or is designed to serve, more than one customer (e.g., where an apartment or office building is not treated as one customer).

f. **Connection for Fire Protection Services:** A connection where the purpose is solely for public or private fire protection services.

3. **Determination of ITCC**

a. The ITCC shall be calculated by multiplying the Balance of the Contribution received after December 31, 2020 by a tax factor ("ITCC factor") as follows:

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(To be inserted by utility)	<i>Issued By</i>	(To be inserted by P.U.C.)
Advice Letter No. <u>1886-W</u>	R. J. Sprowls	Date Filed <u>September 9, 2022</u>
Decision No. _____	President	Effective <u>January 1, 2021</u>
		Resolution No. _____

Rule No. 15
Main Extensions

E. Income Tax Component of Contribution Provision (cont'd)

Contributions subject to both federal and California taxation (customer connection fees that are <i>not</i> (a) Connections for Multiple Customers or (b) Connections for Fire Protection Services) (Determination that a customer connection fee [also known as a service lateral fee] is a Connection for Multiple Customers or a Connection for Fire Protection Services is reserved for the Utility to make.)	0.28 (28%)	(T)
Contributions by a governmental agency (aka "governmental entity") providing for the protection, preservation, or enhancement of drinking water services that is not gross taxable income for federal purposes but is gross taxable income for California purposes (Determination that a governmental agency Contribution is taxable for California purposes is reserved for the Utility to make.)	0.08 (8%)	

Contributions received prior to January 1, 2021 are subject to the applicable tax factors as previously approved by the California Public Utilities Commission. (T)

- b. The ITCC factors included herein are established using Method 5 as set forth in and pursuant to the Commission's Decision No. 87-09-026. Should the Internal Revenue Service ("IRS") deem Method 5 to be in violation of the tax normalization rules, any penalties, interest or taxes incurred by the Company shall be recovered through general rates or surcharges.
- c. An ITCC tax factor shall be adjusted for changes that would cause it to increase or decrease by five percentage points or more.

4. **Changes in Tax Liability**

In the event that the state of California enacts legislation to treat Contributions as taxable income to the Utility that California had previously treated as nontaxable income, the Utility may increase the amount it collects from the Contributor to include its estimate of the tax resulting therefrom. In the event that any such legislation is applied on a retroactive basis, the Utility may collect such tax for the retroactive period through general rates or surcharges. (T)

The Utility shall inform Applicant of the final cost of the installation of all services and the resulting ITCC thereon.

- 5. The Utility may accept a contractual promise to pay the federal and California components of the ITCC, including interest thereon, using an Agreement form filed with and approved by the Commission from a Government Agency required to make a Contribution pursuant to the tariffs where the Government Agency's project: (T)

(Continued)

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Main Extensions

E. Income Tax Component of Contribution Provision (cont'd)

- a. Provides a Public Benefit as defined above, or
- b. Results from condemnation of Utility facilities, or the threat or imminence thereof, which is supported by evidence provided by the Government Agency which is acceptable to the Utility.

In consideration of the Utility not requiring payment by Government Agency of the federal and California components of the ITCC which is, or may be, attributable to the Project, the Utility is exempt from any and all claims, costs, liabilities and expenses relating to any federal and California income tax liabilities, including but not limited to, the full amount of any income tax, penalty, and interest, which the Utility pays or is required to pay to the IRS or the California Franchise Tax Board ("FTB"), and attorneys' fees, litigation costs or fees, associated therewith, arising from any payment for the Project received by the Utility from Government Agency. Government Agency shall also pay, upon demand by the Utility, the amount of any expense incurred by the Utility in collecting any sum due the Utility hereunder, including attorneys' fees, litigation costs or fees, and interest, at the highest rate permitted by law, on any monies advanced or expended by the Utility. (T)

If either the IRS or FTB, or both, make a determination that the payment for the Project (or a payment of that type) is taxable, Government Agency shall forthwith pay the Utility the applicable taxes and other costs determined as set forth in the preceding paragraph, upon demand by the Utility. (T)

- 6. **Interest Rate:** When interest is payable under this part of the Preliminary Statements by the Contributor to the Utility or by the Utility to the Contributor, the Interest Rate to be applied each month to the balance due (including all prior interest) shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, three months), published in the Federal Reserve Statistical Release, G.13. Should publication of the interest on Commercial Paper (prime, three 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, G.13, or its successor publication.
- 7. The Utility shall inform the Applicant of the final cost of the installation of all facilities and the resulting tax liability thereon.

(To be inserted by utility)

Advice Letter No. 1886-W
Decision No. _____

Issued By
R. J. Sprowls
President

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

Date Filed September 9, 2022
Effective January 1, 2021
Resolution No. _____