



February 14, 2012

Advice Letter No. 264-E

(U 913 E)

California Public Utilities Commission

Golden State Water Company ("GSWC"), doing business as Bear Valley Electric Service ("BVES"), hereby transmits one original and four conformed copies of the following tariff sheets applicable to its electric division:

<u>CPUC Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling CPUC Sheet No.</u>
Revised No. 1969-E	Preliminary Statements Part M	Revised No. 1602-E*
Revised No. 1970-E	Table of Contents Page 1	Revised No. 1968-E

Subject: Income Tax Component of Contribution Tax Factors Update

PURPOSE

The purpose of this filing is to adjust the tax factors reflected in the Preliminary Statements of Bear Valley Electric Service ("BVES") to recover the cost of Federal Income Taxes applicable to customer-contributed facilities, pursuant to Ordering Paragraph No. 7 of Decision No. ("D") 87-09-026 issued in Order Instituting Investigation No. 86-11-019. The revisions requested in this advice letter reflect the change in and extension of the Federal Depreciation Provision of the Internal Revenue Code ("IRC") signed into law on December 17, 2010.

COMPLIANCE

Golden State Water Company ("GSWC") is revising BVES' Preliminary Statement, Part M, to adjust the Federal tax factor to reflect the current Federal Depreciation Provisions of the Internal Revenue Code, pursuant to the Tax Relief Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("Act") signed by President Obama on December 17, 2010. Title IV, Section 401 of the Act modified IRC Section 168(k) and allowed for 100 percent bonus depreciation for certain property acquired by the taxpayer after September 8, 2010 and before January 1, 2012 (see Attachment A).

The Act further extends 50 percent bonus depreciation beginning on January 1, 2012 through December 31, 2012. As a result of this extension, the Income Tax Component of Contribution (ITCC) Tax Factor for electric utilities will be 22%, beginning January 1, 2012 through December 31, 2012. On January 1, 2012, electric distribution property will have a depreciable life of 20 years. The ITCC Tax Factor proposed in this advice letter has been calculated by using Method 5 as described in D.87-09-026 and D.87-12-028 in OII 86-11-019.

TARIFF REVISION

GSWC proposes to revise its Preliminary Statements, Part M, to reflect the ITCC Tax Factor of 22%. This tax component shall be applicable to contributions received by BVES on or after January 1, 2012 and before January 1, 2013. Contributions received prior to the effective date of this advice letter filing will be subject to the previously applicable ITCC Tax Factors approved by the California Public Utilities Commission.

TIER DESIGNATION

GSWC is requesting this Tier 2 Advice Letter have the effective date of January 1, 2012, which is consistent with Section 401 of the Tax Relief Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

NOTICE AND PROTESTS

A protest is a document objecting to the granting in whole or in part of the authority sought in this advice letter.

A response is a document that does not object to the authority sought, but nevertheless presents information that the party tendering the response believes would be useful to the CPUC in acting on the request.

A protest must be mailed within 20 days of the date the CPUC accepts the advice letter for filing. The Calendar is available on the CPUC's website at www.cpuc.ca.gov.

A protest must state the facts constituting the grounds for the protest, the effect that approval of the advice letter might have on the protestant, and the reasons the protestant believes the advice letter, or a part of it, is not justified. If the protest requests an evidentiary hearing, the protest must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the advice letter. The utility must respond to a protest with five days.

All protests and responses should be sent to:

California Public Utilities Commission, Energy Division

ATTN: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

E-mail: Honesto Gatchalian (jnj@cpuc.ca.gov) or Maria Salinas (mas@cpuc.ca.gov)

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

Copies of any such protests should be sent to this utility at:

Golden State Water Company

ATTN: Nguyen Quan

630 East Foothill Blvd.

San Dimas, CA 91773

Fax: 909-394-7427

E-mail: nquan@gswater.com

If you have not received a reply to your protest within 10 business days, contact Nguyen Quan at (909) 394-3600 ext. 664.

A copy of this advice letter is being furnished to the entities listed on the attached service list.

CORRESPONDENCE

Any correspondence regarding this filing should be sent by regular mail or e-mail to the attention of:

Nguyen Quan

Manager, Regulatory Affairs

Golden State Water Company

630 East Foothill Blvd.

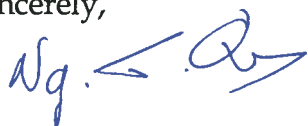
San Dimas, California 91773

Email: nquan@gswater.com

The protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. There is no restriction on who may file a protest.

No individuals or utilities have requested notification of filing of tariffs. Distribution of this Advice Letter is being made to the attached service list in accordance with General Order No. 96-B.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ng. Quan', with a stylized flourish extending to the right.

Nguyen Quan

Manager, Regulatory Affairs

c: Edward F. Randolph, Chief Energy Division
Donald Lafrenz, Energy Division
R. Mark Pocta, Division of Ratepayer Advocates

PRELIMINARY STATEMENTS

(Continued)

M. INCOME TAX COMPONENT OF CONTRIBUTION PROVISION

1. General: Effective on and after January 1, 1992, all Contributions in Aid of Construction and Advances for Construction (Contributions) made to the Company pursuant to its tariffs shall include a cost component to cover the Company's estimated liability for Federal and State Income Tax resulting there from.
2. Definitions
 - a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided to the company by a person or agency. The value of all Contributions shall be based on the Company's estimates.

Contributions shall consist of three 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 part of the Preliminary Statements, A Government Agency shall be a federal, state, country, or local government agency.
 - c. Public Benefit: Where, in the opinion of the Company, 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.
3. Determination of ITCC
 - a. The ITCC shall be calculated by multiplying the Balance of the Contribution by the Tax Factor of 0.22 (22%). The 22 percent Tax Factor shall be applicable to contributions received by GSWC on or after January 1, 2012. Contributions received prior to the effective date of Advice Letter 264-E will be subject to the applicable ITCC factors previously approved by the California Public Utilities Commission. (N) (N) (N) (N)
 - b. The Tax Factor included herein is 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.
 - c. Public Benefit: Where in the opinion of the Company, a benefit to the public as a whole is clearly shown by the Government Agency making the Contribution for a project.
4. Applicability: The ITCC shall apply to contributions under the tariffs, including but not limited to, street and area lighting rate schedules and Rules Nos. 2, 4, 13, 15, 15.1, 15.2, 16 and 20.

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TABLE OF CONTENTS

The following tariff sheets contain all effective rates and rules affecting rates and service of the utility, together with information relating thereto:

<u>Subject Matter of Sheet</u>	<u>Sheet No.</u>
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Tariff Area Map	1140-E
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No. A-3 General Service	1950-E, 1840-E
No. A-4 General Service- TOU	1951-E, 1842-E, 1843-E
No. A-5 TOU Primary	1952-E, 1845-E, 1846-E
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No. D Domestic Service - Single-family Accommodation	1954-E, 1851-E, 1852-E
No. DE Domestic Service to Company Employees	1955-E, 1854-E
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No. DM Domestic Service - Multi-family Accommodation	1957-E, 1860-E, 1861-E
No. DMS Domestic Service - Multi-family Accommodation Sub-metered	1958-E, 1896-E, 1864-E
No. DO Domestic Service - Other	1959-E, 1866-E
No. NEM-L Net Energy Metering- Large	1931-E, 1932-W, 1933-E, 1934-E, 1935-E
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No. RET Water Agency Renewables energy Service	1963-E, 1964-E, 1965-E
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No. UF-E Surcharge to Fund PUC Utilities Reimbursement Account Fee	1872-E
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No. 2 Description of Service	594-E, 595-E, 596-E, 597-E, 598-E 599-E, 600-E, 601-E, 602-E, 603-E
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(Continued)

GOLDEN STATE WATER COMPANY

DISTRIBUTION LIST

BEAR VALLEY ELECTRIC DIVISION

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P. O. Box 558
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Big Bear Lake, CA 92315

Attachment A

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to estates of decedents dying and gifts made after December 31, 2010.

(2) **CONFORMING AMENDMENT RELATING TO GENERATION-SKIPPING TRANSFERS.**—The amendment made by subsection (b)(2) shall apply to generation-skipping transfers after December 31, 2010.

SEC. 304. APPLICATION OF EGTRRA SUNSET TO THIS TITLE.

Section 901 of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall apply to the amendments made by this title.

TITLE IV—TEMPORARY EXTENSION OF INVESTMENT INCENTIVES

SEC. 401. EXTENSION OF BONUS DEPRECIATION; TEMPORARY 100 PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.

(a) **IN GENERAL.**—Paragraph (2) of section 168(k) is amended—

(1) by striking “January 1, 2012” in subparagraph (A)(iv) and inserting “January 1, 2014”, and

(2) by striking “January 1, 2011” each place it appears and inserting “January 1, 2013”.

(b) **TEMPORARY 100 PERCENT EXPENSING.**—Subsection (k) of section 168 is amended by adding at the end the following new paragraph:

“(5) **SPECIAL RULE FOR PROPERTY ACQUIRED DURING CERTAIN PRE-2012 PERIODS.**—In the case of qualified property acquired by the taxpayer (under rules similar to the rules of clauses (ii) and (iii) of paragraph (2)(A)) after September 8, 2010, and before January 1, 2012, and which is placed in service by the taxpayer before January 1, 2012 (January 1, 2013, in the case of property described in subparagraph (2)(B) or (2)(C)), paragraph (1)(A) shall be applied by substituting ‘100 percent’ for ‘60 percent.’.”

(c) **EXTENSION OF ELECTION TO ACCELERATE THE AMT CREDIT IN LIEU OF BONUS DEPRECIATION.**—

(1) **EXTENSION.**—Clause (iii) of section 168(k)(4)(D) is amended by striking “or production” and all that follows and inserting “or production—

“(I) after March 31, 2008, and before January 1, 2010, and

“(II) after December 31, 2010, and before January 1, 2013,

shall be taken into account under subparagraph (B)(ii) thereof.”.

(2) **RULES FOR ROUND 2 EXTENSION PROPERTY.**—Paragraph (4) of section 168(k) is amended by adding at the end the following new subparagraph:

“(1) **SPECIAL RULES FOR ROUND 2 EXTENSION PROPERTY.**—

“(i) **IN GENERAL.**—In the case of round 2 extension property, this paragraph shall be applied without regard to—

“(I) the limitation described in subparagraph (B)(i) thereof, and

“(II) the business credit increase amount under subparagraph (E)(iii) thereof.

“(ii) **TAXPAYERS PREVIOUSLY ELECTING ACCELERATION.**—In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, or a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008—

“(I) the taxpayer may elect not to have this paragraph apply to round 2 extension property, but

“(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is round 2 extension property.

The amounts described in subclause (II) shall be computed separately from any amounts computed with respect to eligible qualified property which is not round 2 extension property.

“(iii) **TAXPAYERS NOT PREVIOUSLY ELECTING ACCELERATION.**—In the case of a taxpayer who neither made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, nor made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008—

“(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2010, and each subsequent taxable year, and

“(II) if the taxpayer makes the election under subclause (I), this paragraph shall only apply to eligible qualified property which is round 2 extension property.

“(iv) **ROUND 2 EXTENSION PROPERTY.**—For purposes of this subparagraph, the term ‘round 2 extension property’ means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 401(a) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (and the application of such extension to this paragraph pursuant to the amendment made by section 401(c)(1) of such Act).”

(d) **CONFORMING AMENDMENTS.**—

(1) The heading for subsection (k) of section 168 is amended by striking “JANUARY 1, 2011” and inserting “JANUARY 1, 2013”.

(2) The heading for clause (ii) of section 168(k)(2)(B) is amended by striking “PRE-JANUARY 1, 2011” and inserting “PRE-JANUARY 1, 2013”.

(3) Subparagraph (D) of section 168(k)(4) is amended—

(A) by striking clauses (iv) and (v),

(B) by inserting “and” at the end of clause (ii), and

(C) by striking the comma at the end of clause (iii) and inserting a period.

(4) Paragraph (5) of section 168(l) is amended—

(A) by inserting "and" at the end of subparagraph

(A),

(B) by striking subparagraph (B), and

(C) by redesignating subparagraph (C) as subparagraph (B).

(5) Subparagraph (C) of section 168(n)(2) is amended by striking "January 1, 2011" and inserting "January 1, 2013".

(6) Subparagraph (D) of section 1400L(b)(2) is amended by striking "January 1, 2011" and inserting "January 1, 2013".

(7) Subparagraph (B) of section 1400N(d)(3) is amended by striking "January 1, 2011" and inserting "January 1, 2013".

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to property placed in service after December 31, 2010, in taxable years ending after such date.

(2) TEMPORARY 100 PERCENT EXPENSING.—The amendment made by subsection (b) shall apply to property placed in service after September 8, 2010, in taxable years ending after such date.

SEC. 402. TEMPORARY EXTENSION OF INCREASED SMALL BUSINESS EXPENSING.

(a) DOLLAR LIMITATION.—Section 179(b)(1) is amended by striking "and" at the end of subparagraph (B) and by striking subparagraph (C) and inserting the following new subparagraphs:

"(C) \$125,000 in the case of taxable years beginning in 2012, and

"(D) \$25,000 in the case of taxable years beginning after 2012."

(b) REDUCTION IN LIMITATION.—Section 179(b)(2) is amended by striking "and" at the end of subparagraph (B) and by striking subparagraph (C) and inserting the following new subparagraphs:

"(C) \$500,000 in the case of taxable years beginning in 2012, and

"(D) \$200,000 in the case of taxable years beginning after 2012."

(c) INFLATION ADJUSTMENT.—Subsection (b) of section 179 is amended by adding at the end the following new paragraph:

"(6) INFLATION ADJUSTMENT.—

"(A) IN GENERAL.—In the case of any taxable year beginning in calendar year 2012, the \$125,000 and \$500,000 amounts in paragraphs (1)(C) and (2)(C) shall each be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 2006' for 'calendar year 1992' in subparagraph (B) thereof.

"(B) ROUNDING.—

"(i) DOLLAR LIMITATION.—If the amount in paragraph (1) as increased under subparagraph (A) is not a multiple of \$1,000, such amount shall be rounded to the nearest multiple of \$1,000.

"(ii) PHASEOUT AMOUNT.—If the amount in paragraph (2) as increased under subparagraph (A) is not