



GREAT OAKS WATER COMPANY

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June 1, 2015

California Public Utilities Commission
Division of Water and Audits
Room 3102
505 Van Ness Avenue
San Francisco, CA 94102-3298

RE: Report on May 29, 2015 Public Hearing
Advice Letter 245-W/245-W-A

Dear Sir or Madam:

On Friday, May 29, 2015, from 2:00 p.m. to approximately 4:30 p.m., Great Oaks Water Company (Great Oaks) held a public hearing to receive public comments and questions pertaining to the Mandatory Water Conservation Schedule No. 14.1 proposed in Advice Letter 245-W and its supplement, Advice Letter 245-W-A.¹ The public hearing was held pursuant to notice mailed to all of Great Oaks' customers at a location in the same building as Great Oaks' offices and customer service center.²

Approximately 240 to 260³ customers and interested parties attended the public hearing. Great Oaks requested that comments and questions be in writing and forms were provided for this purpose.⁴ The hearing was conducted by the undersigned and was opened at 2:00 p.m., beginning with a short presentation describing the proposed Schedule No. 14.1 and then addressing a series of frequently asked questions received by

¹ Supplemental Advice Letter 245-W-A provided clarifications to the proposed schedule and changed the requested effective date from June 1, 2015 to June 12, 2015.

² Great Oaks will be filing its general rate case on or about July 1, 2015, and recommends holding the required public participation hearing at the same location.

³ This estimate was provided by the owner of the facility using his familiarity with estimating the number of people in his facility.

⁴ Great Oaks will maintain the written comments and questions received from the public in its file for Advice Letter 245-W/245-W-A.

Great Oaks in the week leading up to the hearing. Those questions and others asked during the course of the hearing, including follow-up questions, together with the responses provided, are summarized in this report.

Summary of Public Hearing Questions and Comments

1. Changed Circumstances from 2013 to 2015: Many questions were asked about how the proposed allocations in Schedule No. 14.1 would be applied if personal circumstances have changed since 2013. In general terms, this was the most commonly asked question. Various changed circumstances were described, including the following: (1) different number of people living in the residence in 2015 than in 2013, including temporary occupants and visiting family members; (2) low or no water use in 2013 because the residence was unoccupied for all or part of the year, but residence occupied on a full-time basis in 2015; (3) one or more persons now living in the residence have a medical condition necessitating higher water use and that person or medical condition was not present in 2013; (4) the customer is using water in 2015 for growing vegetables for personal consumption, but was not doing that in 2013; (5) the water meter in use in 2013 was running slow and has been replaced with a new meter that measures more accurately; and (7) the customer has a home business that uses water in 2015, but did not have that home business in 2013.

Response

While the list above may not be inclusive of every changed circumstance raised during the public hearing, it is a representative sample. For all of these questions, though, the response was the same.

Great Oaks' proposed Schedule No. 14.1 includes an appeal process for customers who believe an assessed surcharge is unfair for any reason. So that customers will better understand how to read their bills should Schedule No. 14.1 go into effect, Great Oaks will be providing a bill insert explaining how to read bills and how to appeal assessed Schedule No. 14.1 surcharges. Customers were advised to present all evidence they want Great Oaks to consider, as opposed to simply sending in a request for a larger allocation without supporting evidence. Great Oaks will respond to all appeals in writing. If a customer is not satisfied with Great Oaks' decision on an appeal, the customer may file a complaint with the California Public Utilities Commission.

2. Drought allocation methodology: Several customers asked why Great Oaks chose an allocation system based upon individual customer usage in 2013, rather than an allocation system based upon average customer usage in 2013. The general theme of questions on this topic was fairness, with some customers suggesting that an allocation system based upon average customer usage would be more fair, especially for those customers who were already conserving in 2013, with the result being that those early conserving customers would not be as affected as customers who still haven't started conserving.

Response:

Great Oaks responded with the acknowledgement that the “fairness” argument may be made in support of both kinds of allocation systems, but that the allocation methodology chosen by Great Oaks requests the same level of conservation from all customers, whereas an allocation system based upon average customer usage in 2013 would not. For example, if the average customer used 20 ccf of water per billing period in 2013, a reduction of 30% would now require all customers to use only 14 ccf of water for the same billing period. The average customer would then have to cut back by only 6 ccf during that billing period to comply with the 30% mandatory reduction, whereas a high-water use customer using 80 ccf of water would have to cut back 66 ccf – a reduction of 82.5% - to achieve the same level of compliance.

Not all customers were satisfied with the response, but all appeared to understand the response and the rationale Great Oaks used to select its allocation methodology.

3. Application of Drought Allocation to all Customer Classes: Several questions were asked about whether and how the drought allocation system would be applied to all customer classes. Some of the questions posed scenarios in which the customer is a renter or condominium owner in a multi-family residential unit having little or no control over others in the unit who may or may not conserve. The questions generally centered on fairness and concern over being assessed Schedule No. 14.1 surcharges by a landlord or home owners association that are not due to their individual water usage.

Response: The allocations in Great Oaks’ proposed Schedule No. 14.1 apply to all customer classes, so all customers are expected to conserve by 30% compared to their 2013 usage. Great Oaks did not believe it was appropriate to look only to single-family residential customers for all necessary conservation, nor could Great Oaks reasonably expect to achieve the needed level of conservation by only applying the Schedule No. 14.1 allocations to only one class of customer.

Great Oaks is cognizant that renters and others who do not have individually-metered services could potentially see Schedule No. 14.1 surcharges passed through in the form of higher rents or other common area charges. Great Oaks urged persons or businesses in that situation to work with their landlords or homeowners association (the actual Great Oaks customer) to avoid those pass-through costs by conserving and complying with the allocations.

4. Variances to Allocations for Customers with No 2013 Usage History: Questions were asked about how the proposed allocation for customers without a 2013 usage history was determined and whether the allocation under that method could be varied depending upon individual customer circumstances, including large households, large lots, and pets.

Response: Great Oaks calculated the proposed allocation for customers without a 2013 usage history using census data for Great Oaks’ service area and the 55 gallons per person per day minimum standard employed by the State Water Resources Control Board

(Water Board). In response to questions about variances to the allocations under this schedule, customers were advised to utilize the appeal process built into the proposed Schedule No. 14.1.

5. Concerns by water-conserving customers about meeting further reduction requirements: A number of questions and comments were received about the difficulty or inability of water-conserving customers to achieve additional 30% reductions in usage.

Response: Great Oaks explained that the minimum allocation of 7 ccf per month included in its proposed Schedule No. 14.1 was designed to protect water-conserving customers against further mandated water use reductions and Schedule No. 14.1 surcharges. As most water-conserving customers are already at or below 7 ccf per month in water usage, they are not expected or required to conserve more. The appeal process was again referenced for water-conserving customers assessed Schedule No. 14.1 surcharges if they believe the surcharges are unfair.

6. Questions about pools and spas: A small number of questions were asked about the restrictions related to pools and spas.

Response: The proposed Schedule No. 14.1 is designed to mirror restrictions in local ordinances pertaining to pools and spas. On April 21, 2015, the City of San José adopted several new ordinances, including restrictions on the filling or re-filling of pools and spas. Customers were advised to comply with local ordinances.

7. Questions regarding disposition of collected Schedule No. 14.1 surcharges: Several questions were asked about how Great Oaks will account for any collected drought-related surcharges.

Response: An explanation was provided regarding the authority for and the establishment of Great Oaks' Conservation Lost Revenue and Expense Memorandum Account and that any collected surcharges under Schedule No. 14.1 would be recorded in this Account to offset lost revenues and conservation expenses.

8. Questions regarding rates and expenses: Several questions were asked regarding the effect of the drought and lower water sales on rates. Several questions were asked regarding Great Oaks' reduction or control of expenses during the time period customers are required to conserve.

Response: Customers were advised that Great Oaks' next general rate case is to be filed on or before July 1, 2015, and that water sales forecasts in that rate proceeding will necessarily include the effects of the drought and mandatory conservation requirements. Great Oaks advised that it had requested authority for a surcharge to offset the new and higher pump taxes imposed by the Santa Clara Valley Water District, but had not submitted an escalation year increase request.

On the question of expenses, Great Oaks responded that its expenses are already low and responsible for the comparatively low rates for water service paid by Great Oaks customers in Santa Clara County. With only 19 employees providing service to a population of approximately 100,000, it is believed Great Oaks' customers know that Great Oaks manages its expenses closely and properly.

9. Conservation questions: Questions or requests for advice on how to conserve were common. These questions or requests included general inquiries about use of water, setting automatic sprinkler systems, and how to learn more about conservation to customer-specific inquiries.

Response: In addition to the responses offered, customers were referred to the Santa Clara Valley Water District conservation team for follow-up responses and advice.

10. "Smart Meters" and real-time access to water use information: A number of questions were asked about when Great Oaks would have so-called "smart meters" providing real-time water use data. Other questions were asked about how to read meters.

Response: Customers were advised that real-time access to water use data through electronic means (i.e., AMI, AMR, "Smart Meters") will not be available in the short-term, but will likely be in available in the future as costs for this technology come down. Customers were referred to various online videos regarding reading their own meters, but were cautioned to avoid injuring themselves, creating dangerous conditions for others, and damaging Great Oaks' equipment (meters, meter boxes and lids).

Miscellaneous: Various other questions were asked and comments made, generally pertaining to the drought, but not necessarily relevant to the proposed Schedule No. 14.1, including questions about why the Water Board waited so long to take action, why 2013 was chosen as the base year, what southern California residents are being required to do, and what we can all expect in the future. General responses were made to these various inquiries and comments.

Conclusion

While Great Oaks' proposed Schedule No. 14.1 was certainly not universally praised, it is Great Oaks' belief that its customers understand and accept the proposal. Great Oaks requests that its Advice Letter 245-W/245-W-A be approved with an effective date of June 12, 2015.

Respectfully submitted,



Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs