



GREAT OAKS WATER COMPANY

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September 24, 2019

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

**Advice Letter 278-W
Great Oaks Water Company (U-162-W)
To the California Public Utilities Commission**

Great Oaks Water Company (Great Oaks) hereby transmits for filing the following changes in its tariff schedules applicable to its service area:

CPUC Sheet No.	Title of Tariff Sheet	Canceling Sheet No.
887-W	Preliminary Statement (Continued)	NA
888-W	Table of Contents	886-W

This advice letter requests the establishment of a Certified Public Accountant Audit Cost Memorandum Account to record for later recovery the costs incurred by Great Oaks to comply with the Water Division's September 18, 2019 requirement for submission of annual audited financial statements.

This request to establish a memorandum account meets the requirements of Water Standard Practice U-27-W, as discussed in detail below. The memorandum account will be maintained until Great Oaks has the opportunity to include the costs of the audits in its next General Rate Case (for the July 1, 2022 to June 30, 2023 rate year, and beyond).

Discussion of Advice Letter 278-W

On September 18, 2019, the Commission's Water Division issued instructions to the Class A Water Utilities to have audited financial statements prepared and provided to the Water Division on an annual basis. A copy of the Water Division's September 18, 2019 letter is attached hereto as Exhibit A.

As alluded to in the letter, Great Oaks has not been required to engage the services of an independent CPA firm to audit its financial statements in the past. The Water Division letter indicates that in order to comply with the Water Division's new requirement, Great Oaks will have to engage the services of an independent CPA firm to audit its financial statements and file its reports with the Commission, with the first such report due on or before December 31, 2019. Great Oaks initiated the process of engaging an independent CPA firm for this purpose on September 23, 2019 – the same day Great Oaks received the Water Division letter and became aware of the new requirements.

Great Oaks' request to establish a Certified Public Accountant Audit Cost Memorandum Account meets the four requirements for new memorandum accounts in Water Standard Practice U-27-W. Each requirement is addressed immediately below.

1. The expense is caused by an event of an exceptional nature that is not under the utility's control.

As indicated in the letter attached hereto as Exhibit A, the necessity for Great Oaks to engage an independent CPA firm to audit its financial statements is due to a new Commission reporting requirement and not due to any action or inaction under Great Oaks' control.

2. The expenses cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next general rate case.

On September 19, 2019, the Commission issued Decision (D.) 19-09-010 adopting the settlement between Great Oaks and the Public Advocates Office which resolved all issues in Great Oaks' last general rate case (A.18-07-002). The costs associated with having an independent CPA firm audit Great Oaks' financial statements was not an issue in Great Oaks' last general rate case because there was no Commission requirement for such an audit. Great Oaks' next general rate case application is due on or before July 1, 2021, for the rate year beginning July 1, 2022. Great Oaks is required to engage an independent CPA firm to audit its financial statements and submit a report on such audit (for the 2018 year) on or before December 31, 2019. Subsequent audits and audit reports, and the expenses associated therewith, are required before Great Oaks' next general rate case.

3. The expense is of a substantial nature as to the amount of money when any offsetting cost decreases are taken into account.

No costs associated with an independent CPA review of and report on Great Oaks' financials are included in currently authorized rates. The costs of a qualified independent CPA firm are expected to be substantial and will be continuing until such time as Great Oaks will be able to include such costs in its 2021 general rate case application. There are no offsetting cost decreases.

4. The ratepayers will benefit by the memorandum account treatment.

While the letter attached hereto as Exhibit A does not directly state that the newly required audits and audit reports are intended to benefit ratepayers, that is certainly the case. Independent audit reports will provide additional confirmation that the rates authorized by the Commission and being charged by Great Oaks are just and reasonable.

As shown above, all four requirements of Water Standard Practice are met by this advice letter request.

Terms and Conditions of Certified Public Accountant Audit Cost Memorandum Account

The proposed terms and conditions of the Certified Public Accountant Audit Cost Memorandum Account are included in proposed Preliminary Statement Tariff Sheet 887-W. Only the costs of the audits and audit reports will be tracked in this memorandum account for later collection.

Other Pending Advice Letters

As of the date of this filing, Great Oaks' Advice Letters 276-W-A and 277-W are pending. Neither of those advice letters are implicated by this filing.

No Effect on Water Service

The request in this advice letter has no effect on water service provided by Great Oaks.

Tier Designation

This is a Tier 2 Advice Letter pursuant to General Order 96-B and Water Industry Rule 7.3.2. The requested effective date is the date of filing, September 24, 2019.

Notice and Service

This Advice Letter is being served upon the Distribution List provided below.

Protests and Responses

Anyone may protest and respond to this Advice Letter. A Response supports the filing and may contain information that proves useful to the Commission in evaluating the Advice Letter. A Protest objects to the Advice Letter in whole or in part and must set forth specific grounds on which it is based. These grounds may be based upon the following:

- (1) The utility did not properly serve or give notice of the Advice Letter; or
- (2) The relief requested in the Advice Letter would violate a statute or Commission order, or is not authorized by statute or Commission order on which the utility relies; or
- (3) The analysis, calculations, or data in the Advice Letter contain material error or omissions; or
- (4) The relief requested in the Advice Letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the Advice Letter requires consideration in a formal hearing, or is otherwise inappropriate for the Advice Letter process; or
- (6) The relief requested in the Advice Letter is unjust, unreasonable, or discriminatory (provided that such a Protest may not be made where it would require re-litigating a prior order of the Commission).

Any Protest or Response must be made in writing or by electronic mail and must be received by the Water Division of the Commission within 20 days of the date this Advice Letter is filed. The Advice Letter process does not provide for any Protests, Responses or other comments, except for a reply by Great Oaks, after the 20 day comment period expires. The address for mailing or delivering a Protest or Response is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
water_division@cpuc.ca.gov

On the same date any Protest or Response is submitted to the Water Division, the protesting or responding person, entity or party must serve a copy of the Protest or Response on Great Oaks addressed to Timothy S. Guster, Great Oaks Water Co., PO Box 23490, San Jose, CA 95153, 408-227-9540, 408 227-7126 (fax), email: tguster@greatoakswater.com.

Great Oaks Water Company

/s/

Timothy S. Guster
General Counsel
Legal and Regulatory Affairs

Great Oaks Water Co.
Distribution List

Municipal Water System
City of San Jose
3025 Tuers Road
San Jose, CA 95121

County Clerk
County of Santa Clara
70 W. Hedding Street
San Jose, CA 95110

Safe Drinking Water Office
Department of Water Resources
1416 9th Street, Room 804
Sacramento, CA 95814

Office of Regulatory Affairs*
California Water Service Company
1720 North First Street
San Jose, CA 95112

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

Tayeb Mogri*
Division of Water and Audits
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Richard Rauschmeier*
Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Legal Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3214

Regulatory Affairs
San Jose Water Company
110 West Taylor Street
San Jose, CA 95110

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

Great Oaks Water Company
Advice Letter 278-W

Exhibit A
Water Division September 18, 2019 Letter

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 18, 2019

To: ALL CLASS A WATER UTILITIES

Re: Request for Audited Financial Statements and 10-K Reports

California Public Utilities (PU) Code, Sections 313 and 314, grant the Commission broad authority to obtain information and documents from public utilities. Section 314.5 requires the Commission to inspect and audit the books of public utilities. Sections 581 through 591, and General Order (G.O.) No. 104-A of the California Public Utilities Commission (Commission) grant authority to the Commission to require all public utilities doing business in California to provide reports as specified by the Commission.

The Commission hereby requests your company to provide the following documents for the preceding year on or before June 1 each year. Please also submit an electronic version of the requested documents through email to Angie Williams at Angie.Williams@cpuc.ca.gov. The following documents must be provided by the due date:

- 1) Audited Financial Statements for your company and related Management Letter issued by an independent Certified Public Accountant (CPA).
- 2) 10-K reports for your company filed with the United States Securities and Exchange Commission (SEC), if applicable.
- 3) If a Class A water utility's CPA audited financial statements or the 10-K reports were presented on a consolidated basis with its parent company, the Class A water utility company shall request its independent CPA to submit directly to the Commission the consolidating schedules which contain audited financial statements for the Class A water utility as a stand-alone subsidiary.
- 4) In cases where a Class A water utility's CPA audited financial statements, Management Letter, or 10-K report were amended, the Class A water utility shall file the amended documents with the Director within 30 days of occurrence.

Please submit your reports to: California Public Utilities Commission
Utility Audits, Risk and Compliance Division
Attention: Angie Williams, Director
400 R Street, Suite #221
Sacramento, CA 95811

Special requirements for submitting the 2018 reports: All Class A water utilities except Great Oaks Water Company should provide their reports on or before September 30, 2019. Great Oaks Water

Company should immediately engage an independent CPA firm to audit its financial statements and file its reports with the Commission on or before December 31, 2019.

Any request for an extension to file your company's reports shall be made in writing to Angie Williams in the above address, or send email request to her at Angie.Williams@cpuc.ca.gov.

If any updates or corrections are made to the documents provided to the Commission, then a signed cover letter providing a written explanation of the update/change, to the reports affected, along with the revised reports shall be submitted to the above addresses within 30 days of the update/change occurring.

Commission staff caution against the indiscriminate use of PU Code Section 583 to classify as "confidential" information in the reports filed with the Commission. It has been the long-term practice of this Commission to release similar reports to the public upon request. In general, such reports are public records, and if they fail to meet the requirements of G.O. 66-D or the exemptions of the California Public Records Act (California Government Code Sections 6250-6276.48), they are required to be available for public inspection. Even those records which are exempted from public inspection can be made public upon the determination of the Commission that the public interest served by disclosure outweighs the public interest served by not disclosing (California Government Code Section 6255).

The policy of the California Public Records Act and the practices of this Commission favor making public records readily available to the public. Accordingly, if your company plans to claim confidential status for any information submitted in the company's reports, Commission staff advises that your company shall follow the procedures required in G.O. 66-D, and that any such claim be prominently noted and supported by a detailed explanation of the reasons and facts that substantiate the necessity for confidential treatment. The mere allegation of being placed in an unfair business disadvantage is insufficient to establish it as a fact. Furthermore, data publicly exposed in other contexts (e.g. corporation annual reports, SEC disclosure filings, etc.) should not be claimed to be confidential information when submitted in accordance with the enclosures.

If certain information in the submitted reports are confidential, your company can submit a request for confidential treatment of such information by following these procedures: The utility shall submit two signed copies of the full and complete version of the report and two signed copies of the report with the claimed confidential information removed and the term "REDACTED" inserted in the blank area. The electronic versions of both reports (i.e., confidential version and public version) should also be submitted to the Commission the same way as directed in the preceding paragraphs. Requests by the public to review documents for which confidential treatment has been requested shall be handled pursuant to G.O. 66-D.

If you have any questions concerning this request, please contact Angie Williams, Director of Utility Audits, Risk and Compliance Division, at Angie.Williams@cpuc.ca.gov.

Sincerely,



Lucian Filler
Deputy Executive Director
Water and Communications Division

cc: Alice Stebbins, Executive Director
Bernard Azevedo, Deputy Executive Director
Angie Williams, Director of Utility Audits, Risk and Compliance Division

PRELIMINARY STATEMENT
(Continued)

BB. Certified Public Accountant Audit Cost Memorandum Account.

1. Purpose: The purpose of the Certified Public Accountant Audit Cost Memorandum Account is to record and track expenses incurred by the utility in complying with instructions from the Water Division of the California Public Utilities Commission to have the utility's annual financial statements audited by an independent certified public accountant. The costs recorded in the Certified Public Accountant Audit Cost Memorandum Account shall accrue interest using 1/12 of the most recent month's (relative to the time of filing an advice letter requesting amortization of the recorded costs) interest rate on Commercial Paper (prime, three months), published in the Federal Reserve Statistical Release, G.13.
2. The utility is authorized to file a Tier 3 advice letter to amortize reasonable costs recorded in the Certified Public Accountant Audit Cost Memorandum Account in a separate annual filing or in a filing that combines the balance in the Certified Public Accountant Audit Cost Memorandum Account with balances of other balancing accounts or memorandum accounts for amortization.

(N)

(N)

(To be inserted by utility)
Advice Letter No. 278-W

Issued by
Timothy S. Guster
NAME
General Counsel
TITLE

(To be inserted by Cal. P.U.C.)
Date Filed _____

Decision No. _____

Effective _____

Resolution No. _____

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(To be inserted by utility)

Issued by

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

Advice Letter No. 278-W

Timothy S. Guster

Date Filed _____

Decision No. _____

VP & General Counsel

Effective _____

TITLE

Resolution No. _____