

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Great Oaks Water Company (U-162-W) for an Order establishing its authorized cost of capital for the period from July 1, 2027 through June 30, 2030.

A.26-05-____
(Filed May 1, 2026)

**COST OF CAPITAL APPLICATION OF GREAT OAKS WATER COMPANY (U
162 W) FROM JULY 1, 2027 TO JUNE 30, 2030**

Juan Liem
Chief Financial Officer
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
Email: jliem@greatoakswater.com

Megan J. Somogyi
Grace A. Amato
BRB Law LLP
492 9th Street, Suite 220
Oakland, CA 94607
Telephone: (510) 955-1083
Email: megan@brblawgroup.com

Attorneys for Great Oaks Water
Company

May 1, 2026

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Great Oaks Water Company (U-162-W) for an Order establishing its authorized cost of capital for the period from July 1, 2027 through June 30, 2030.

A.26-05-____
(Filed May 1, 2026)

**COST OF CAPITAL APPLICATION OF GREAT OAKS WATER COMPANY (U
162 W) FROM JULY 1, 2027 TO JUNE 30, 2030**

I. INTRODUCTION.

Great Oaks Water Company (“Great Oaks”) submits this Application for authority to establish its authorized cost of capital for the period from July 1, 2027 through June 30, 2030 pursuant to Rules 1.1, 3.1, and 3.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), California Public Utilities Code §§454, et seq., and relevant Commission decisions and policies governing cost of capital proceedings.

Great Oaks is authorized and required to file a cost of capital application on a triennial basis starting in 2008, pursuant to Decision D.07-05-062, which adopted the Commission’s Rate Case Plan for Class A water utilities. Great Oaks received a Commission decision, Decision D.24-12-007, on its most recent cost of capital application, Application A.23-05-001, filed in 2023. The decision authorized an 8.78 percent return on equity and a 6.5 percent cost of long-term debt with a capital structure of 12.70 percent actual long-term debt, 17.30 percent imputed long-term debt, and 70.00 percent common equity, resulting in an 8.10 percent return on rate base for the calendar years 2024, 2025, and 2026.

Pursuant to Rule 2.1(c), Great Oaks proposes that this proceeding be categorized as a rate-setting proceeding and requests that it be processed within fourteen (14) months, such that the authorized cost of capital adopted in this proceeding becomes effective no later than July 1, 2027.

This Application includes proposed schedules, exhibits, supporting testimony, and information responsive to the Minimum Data Requirements specified in Decision D.07-05-062, all of which are being served on the California Public Advocates Office concurrently with the filing of this Application.

II. The Applicant and Background Information for this Application

A. Great Oaks Water Company

In accord with Rule 2.1(a), the applicant states that its exact legal name is Great Oaks Water Co. Its principal place of business is located at 20 Great Oaks Boulevard, Suite 120, San Jose, California 95119. Great Oaks was incorporated in California in 1959. Great Oaks' Articles of Incorporation have been filed with the Commission for numerous proceedings, are incorporated by reference herein, and are available upon request. Great Oaks is owned by John Roeder, either directly or through the John W.S. Roeder Continuing Trust.¹ John Roeder, Great Oaks' Chief Executive Officer and sole shareholder, has been involved with the Company for his entire life and makes all investment decisions for the Company.²

Great Oaks is engaged in the business of supplying and distributing potable water for domestic, commercial, industrial, municipal, irrigation, and agricultural purposes in portions of the City of San Jose and in contiguous territory in Santa Clara County, California. Great Oaks' service area is depicted on service area maps in Great Oaks' authorized tariffs.³ At the end of calendar year 2025, Great Oaks had 21,435 active service connections.⁴

B. Background Information

1. Current Cost of Capital

¹ See, D.21-01-008.

² See, **Exhibit D**, Testimony of John Roeder.

³ See, Tariff Sheet Nos. 644-W through 670-W.

⁴ See, 2025 Annual Report of Great Oaks Water Company, Schedule D-4.

In D.24-12-007,⁵ the Commission authorized Great Oaks' cost of capital, as shown in the table below.

Table 1. Current Adopted Cost of Capital for Great Oaks

| | Overall Percentage | Rate | Weighted Rate |
|----------------|--------------------|-------|---------------|
| Debt | 30% | 6.50% | 1.95% |
| Equity | 70% | 8.78% | 6.15% |
| Rate of Return | 100% | | 8.10% |

The current capital structure for cost of capital purposes was designed by adding imputed debt of 17.30 percent, to produce a 70 percent equity / 30 percent debt capital structure.⁶

The current authorized cost of debt is 6.5 percent, which continues to accurately reflect the actual cost of debt incurred by Great Oaks under its existing financing arrangement since 2014. Great Oaks notes that its existing long-term debt will mature in 2028. Great Oaks intends to request Commission approval to refinance its long-term debt.

The current authorized return on equity is 8.78 percent, which was adopted by the Commission in Decision D.24-12-007. Great Oaks observes that its authorized return on equity falls at the lower end of the range considered fair and reasonable when compared to other Class A water utilities.

III. Great Oaks' Requests in this Proceeding

A. Great Oaks requests a new capital structure.

Great Oaks proposes that the capital structure for the period covered by this Application be as set forth in the table below. Great Oaks requests that the capital structure adopted in this proceeding more closely reflect its actual and projected capital structure for the period July 2027 through June 2030, and that this proposed capital structure be used in determining Great Oaks' cost of capital.

⁵ See, D.24-12-007, p. 3.

⁶ See, D.10-12-057; D.13-05-027; D.18-12-002.

Great Oaks has maintained \$4,000,000 in long-term debt in the form of a promissory note since October 2014 and expects to refinance this note at maturity in 2028 with a similar level of debt.

Projected Capital Structure of Great Oaks

| | Actual 2025 | Projected Capital Structure |
|----------------|------------------------|--|
| Long-Term Debt | 25.43% | 25.00% |
| Equity | 74.57% | 75.00% |
| Total | 100.00% | 100.00% |

B. Great Oaks requests 10.30% Return on Equity

Great Oaks requests authorization of a 10.30 percent return on equity based on the need to ensure adequate capital attraction and financial integrity, consistent with established regulatory standards. The requested return is necessary to support continued access to equity capital from its shareholder to finance the ongoing investment required to maintain, replace, and upgrade Great Oaks’ long-lived water infrastructure.

C. Great Oaks requests 9.35% Cost of Capital

Great Oaks requests authorization of a 9.35 percent return on rate base for the period from July 1, 2027, through June 30, 2030. The table below presents the calculation of the requested return on rate base, based on a capital structure of 25 percent debt and 75 percent equity, a 6.50 percent cost of debt, and a 10.30 percent cost of equity.

Requested Return on Rate Base

| | Capital Structure | Cost | Weighted Cost of Capital |
|--------|------------------------------|-------------|-------------------------------------|
| Debt | 25.00% | 6.50% | 1.625% |
| Equity | 75.00% | 10.30% | 7.725% |
| Total | 100.00% | | 9.350% |

Great Oaks requests that, in establishing its cost of capital, the Commission consider not only the general factors applicable to regulated utilities, but also the specific circumstances of Great Oaks that result in a distinct financial risk profile compared to other Class A water utilities.

D. Great Oaks requests a corresponding increase to its revenue requirement

Great Oaks' currently adopted revenue requirement is \$26,010,102, as authorized by the Commission in Advice Letter 332-W. Based on the requested cost of capital of 9.35 percent, Great Oaks requests an increase of \$325,060, or 1.25 percent, resulting in a revised revenue requirement of \$26,335,162.

Exhibit B, Exhibit D, and Exhibit E show the resulting bill comparison, proposed customer notice, and tariff sheets associated with this requested increase.

E. Water Cost of Capital Adjustment Mechanism.

In Decision D.24-12-007, the Commission authorized the continued maintenance of the Water Cost of Capital Adjustment Mechanism ("WCCM"). Great Oaks has fully complied with this directive. The WCCM was updated through Advice Letter 328-W, approved on January 15, 2025, under the authority of Decision D.24-12-007, with an effective date of July 1, 2025. The initial benchmark for the updated WCCM was based on the average of Moody's Baa bond yields for the period of May 1, 2023, to April 30, 2024.⁷

Pursuant to the terms of the WCCM and consistent with prior Commission authorization, no adjustment to Great Oaks' return on equity has been made or has been required since Great Oaks' cost of capital was last established through D.24-12-007.

In this proceeding, Great Oaks does not request continuation of the WCCM for the period July 1, 2027, through June 30, 2030. Decision D.07-05-062 does not mandate the use of such a mechanism but rather contemplates adjustment mechanisms at the Commission's discretion.

As discussed above, Great Oaks maintains a stable capital structure and proposes a return on equity that is sufficient to fairly compensate its shareholder for

⁷ See, Great Oaks Water Company, Tariff Preliminary Statement, Section K.1.

bearing the risk of under-earning if interest costs increase between cost of capital proceedings.

The following table summarizes the current yields on Baa rated long-term corporate bonds used in the Benchmark Period and the two subsequent years:

| | Benchmark Period May 1, 2023, to April 30, 2024 | Measurement Period May 1, 2024, to April 30, 2025 | Next 11-month Period May 1, 2025 to March 31, 2026 |
|---|--|--|---|
| Baa Corporate Bond Index Yield⁸ | 5.93% | 5.83% | 5.96% |

IV. Additional Information

A. Legal Authority

Great Oaks' Application is submitted pursuant to Decision D.07-05-062 and California Public Utilities Code §454.

B. Correspondence and Communication

Great Oaks requests, pursuant to Rule 2.1(b), that all correspondence and communications regarding or relating to this proceeding, as well as all notices, orders, and other papers be addressed to and served upon:

Juan Liem
Chief Financial Officer
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
Email: jliem@greatoakswater.com

Megan J. Somogyi
Grace A. Amato
BRB Law LLP
492 9th Street, Suite 220
Oakland, CA 94607
Telephone: 510.955.1083
Email: megan@brblawgroup.com
grace@brblawgroup.com

C. Proposed Categorization, Request for Hearing, and Statement of Issues

1. Proposed Categorization. Great Oaks proposes that this be categorized as a rate-setting proceeding.

⁸ Federal Reserve Bank of St. Louis, *Moody's Seasoned Baa Corporate Bond Yield*, <https://fred.stlouisfed.org/series/BAA>.

2. Request for Hearing. Great Oaks requests that evidentiary hearings be held in this proceeding.
3. Statement of Issues.
 - i. Whether Great Oaks’ requested cost of capital for the years 2027/2028, 2028/2029, and 2029/2030, including its capital structure, cost of equity, cost of debt, and its requested return on rate base are reasonable.
 - ii. Whether discontinuance of the Water Cost of Capital Adjustment Mechanism for the period July 1, 2027 through June 30, 2030 is reasonable.

D. Proposed Schedule for this Proceeding

Great Oaks proposes the following schedule for this proceeding to allow for timely Commission review and implementation of updated rates effective on July 1, 2027:

Proposed Schedule⁹

| | |
|-------------------|---|
| May 1, 2026 | Cost of Capital Application Filed and Served |
| June 5, 2026 | Protests Filed |
| June 15, 2026 | Prehearing Conference |
| July 13, 2026 | Cal Advocates and Intervenors Serve Testimony |
| August 14, 2026 | Applicant Serves Rebuttal Testimony |
| August 24, 2026 | Formal Settlement Discussions Begin |
| September 7, 2026 | Evidentiary Hearings Begin |
| October 16, 2026 | Concurrent Opening Briefs to be Filed and Served |
| November 2, 2026 | Concurrent Reply Briefs to be Filed and Served |
| January 18, 2027 | Proposed Decision to be Issued |
| February 5, 2027 | Comments on Proposed Decision |
| February 12, 2027 | Reply Comments on Proposed Decision |
| March 22, 2027 | Final Decision Issued and/or Adopted |
| July 1, 2027 | Decision Implemented and Rates Adjusted Accordingly |

⁹ This proposed schedule closely matches the schedule in previous cost of capital proceedings for Great Oaks.

E. Compliance with Rule 3.2

In compliance with Rule 3.2, Great Oaks includes and/or serves the following materials:

1. Exhibit A: Great Oaks' most recent balance sheets and income statement, for the year ending December 31, 2025.
2. Exhibit B: Bill comparison using present and proposed rates.
3. Exhibit C: Return on rate base for the calendar years 2021 through 2025, included as part of the Minimum Data Requirements.
4. Exhibit D: Proposed customer notice.
5. Exhibit E: Proposed tariff sheets.
6. Exhibit F: Direct testimony of John Roeder.

Great Oaks states that no director, nominee to be director, or officer of Great Oaks, and no other person or legal entity being the owner of record or known by Great Oaks to be the beneficial owner of securities having ten percent or more of the voting power of the corporation has any material financial interest in any transaction involving the purchase of materials and equipment or contracting, arranging or paying for construction, maintenance work or service of any kind to which Great Oaks has been a party during 2025 (or any prior or subsequent period of time).¹⁰

V. Requests for Relief

Based upon this Application, the evidence presented, and applicable Commission and legal precedent, Great Oaks requests that the Commission:

- A. Establish a cost of capital for Great Oaks of 9.35 percent for the period from July 1, 2027 through June 30, 2030, consistent with 10.30 percent return on equity, a 6.50 percent cost of long-term debt, and a proposed capital structure of 25 percent long-term debt and 75 percent equity.

¹⁰ Rule 3.2(a)(8); General Order 104-A, Section 2.

- B. Authorize the discontinuance of the Water Cost of Capital Adjustment Mechanism for the requested period from July 1, 2027, through June 30, 2030.
- C. Authorize Great Oaks to adjust its rates to reflect the adopted cost of capital in this proceeding, effective July 1, 2027.
- D. Grant such further and additional relief as supported by applicable law and evidence.

Executed on this 1st day of May 2026.

By: _____ /S/
Juan Liem

Chief Financial Officer
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
Facsimile: (408) 227-7126
Email: jliem@greatoakswater.com

