



and equipment to maintain and improve upon the high level of service being provided to Great Oaks' customers.

Pursuant to Commission Rules and D.07-05-062, Great Oaks states as follows:

**I. General Information**

**1) Information about the Applicant.**

a) Great Oaks is a California corporation with its principal place of business located at 20 Great Oaks Boulevard, Suite 120, San Jose, California 95119. Great Oaks' mailing address is PO Box 23490, San Jose, California 95153. A copy of Great Oaks' Articles of Incorporation, as amended, has been filed with the Commission by Great Oaks with previous General Rate Case applications, including Application A.09-09-001, filed in 2009. Great Oaks' Articles of Incorporation are available upon request.

b) Great Oaks is owned by John Roeder and the John W.S. Roeder Continuing Trust. See Commission Decision (D.) 21-01-008, issued January 20, 2021.

c) Great Oaks is engaged in the business of supplying and distributing potable water for domestic, commercial, industrial, municipal, and irrigation purposes in portions of the City of San Jose and in contiguous territory in Santa Clara County, California. Great Oaks is a Class A water utility because it has more than 10,000 customers.

**2) Exhibit List for this Application.**

- a) Submitted with and incorporated by reference into this Application are the following Exhibits:
- Exhibit A: Proposed Rate Case Plan Schedule
  - Exhibit B: Present and Proposed Rate Schedules
  - Exhibit C: Proposed Notice to Customers
- b) The Report on the Results of Operations (Exhibit D) and Testimony will not be filed but will be served to the Commission and Public Advocates Office and uploaded to the Commission website for this proceeding. The remaining supporting Exhibits are being served to the Commission and Public Advocates Office (PAO) with this Application and will be provided to interested parties

upon request, but not filed or uploaded and will be available upon request.

- Exhibit E: General Rate Case Workpapers
- Exhibit F: Great Oaks Urban Water Management Plan
- Exhibit G: Proposed Capital Projects
- Exhibit H: Minimum Data Requirements (MDR) and Cross-Index
- Exhibit I: Litigation Summary
- Exhibit J: Changes Summary from Proposed Application

**3) Summary of Requested Revenue Requirement and Rate Base Changes.**

The following table provides a comparison of the recorded, adopted, projected, and requested revenue requirement and rate base changes to the last adopted and last recorded amounts and shows the differences in both dollars and percentages as required by D.07-05-062 (Rate Case Plan decisions or RCP). [MDR I.A.]

**Summary of Requested Revenue Requirement and Rate Base Changes**

|  | Last Full Recorded Rate Year 2022/2023 | Adopted <sup>1</sup> Escalation Year 2023/2024 | Projected <sup>2</sup> Attrition Year 2024/2025 | Requested Test Year 2025/2026 |
|--|--|--|---|-------------------------------|
| Total Revenue Requirement <sup>2</sup>   | \$22,063,069                           | \$24,831,953                                   | \$26,790,322                                    | \$28,459,849                  |
| Rate Base \$                             | \$18,192,603                           | \$17,409,153                                   | \$18,171,945                                    | \$19,676,685                  |
| Rate Base % Increase/(Decrease)          | +2.92%                                 | -1.06%   | +4.38%  | +8.28%                        |
| Operating Expenses                       | \$18,784,443                           | \$23,413,116                                   | \$25,309,308                                    | \$26,856,199                  |
| Operating Expenses % Increase/(Decrease) | -4.04%                                 | +12.44%  | +8.10%  | +6.11%                        |
| Rate of Return                           | 18.02%                                 | 8.15%  | 8.15%   | 8.15%                         |

<sup>1</sup> Adopted Escalation Year amounts are approved in Advice Letter 315-W.

<sup>2</sup> Tier 1 Advice Letters 324-W-A and 325-W-A were approved to implement rates effective July 1, 2024 for Attrition Year 2024/2025 as authorized in Decision (D.)23-04-004.

The authorized cost of capital or rate of return was determined in D.18-12-002 for the period from July 1, 2019 through June 30, 2022. At the time of this application, Great Oaks is still waiting for a decision for its new cost of capital that is anticipated to be effective for the period from July 1, 2024 through June 30, 2027. The currently authorized capital structure and cost of capital for test year 2025/2026 are shown in the summary table below.

**Current Adopted Cost of Capital for Great Oaks**

|                | Overall Percentage | Rate  | Weighted Rate |
|----------------|--------------------|-------|---------------|
| Debt           | 30%                | 6.50% | 1.95%         |
| Equity         | 70%                | 8.85% | 6.20%         |
| Rate of Return | 100%               |       | 8.15%         |

4) **Primary Cost Increases.** The five most significant issues, in dollar terms, presented in this Application are Groundwater Charges, Payroll Expenses, Infrastructure Improvement and Replacement Costs, Outside Services Expenses, and Purchased Power. [MDR I.B.] A discussion of these issues, as well as costs for Property and General Liability Insurance, is provided below.

a) Groundwater Charges (Account 700): Groundwater charges are levied by the Santa Clara Valley Water District (SCVWD or Valley Water) against the groundwater the Company produces from its own wells located on its own properties. Valley Water projected the groundwater charge will increase by 9.9% on the North County Zone W-2 and 14.2% on the South County Zone W-7 for the Test Year 2025/2026 in its recent Protection and Augmentation of Water Supplies (PAWS) annual report. The total increase Great Oaks projects based on the projected groundwater charge increase is \$1,665,199 in Test Year 2025/2026. The amount of water produced for the Test Year 2025/2026 is projected to increase slightly from the recorded year 2022/2023 as Great Oaks projects a small increase in service connections and population in its service area. Coming out of the 15% voluntary water conservation in early 2023, residential customers are still cautious with excess water use, which is consistent with the state’s new regulatory

framework that aims to encourage Californians to make conservation a way of life. In 2022/2023, Great Oaks experienced the lowest water production in a recorded year for the past seven years as customers conserved water in response to the drought restrictions and record-breaking temperatures.

Groundwater charges paid by the Company to Valley Water represent the single largest cost incurred by the Company every year. In the current adopted rate year 2023/2024, groundwater charges represent 89% of all Operating & Maintenance Expenses (O&M). In the Test Year, groundwater charges represent 91% of all O&M expenses. Increases in groundwater charges are the primary and biggest reason for Great Oaks' rate increases every year and Valley Water's PAWS report projects that the charges will increase at the same rate for the next ten years (2025–2034). Great Oaks has been challenging the methodology utilized by Valley Water to levy groundwater charges for more than 18 years now and there still is no final judgment by the courts. See **Exhibit I** Litigation Summary, WP-14.

b) Payroll Expense: Normal payroll increases due to yearly escalation factors, job promotion with added responsibilities, and increased starting salary for new employees is expected to be \$150,284 during the Test Year 2025/2026. Great Oaks experienced one of the highest employee turnovers in the past couple of years and is looking for ways to attract new employees and enhance employee retention. In addition to offering benefits to employees, such as health, dental and vision insurance, pension plan, wellness programs, and paid time off benefits, the Company regularly reviews existing employees' base compensation to stay competitive in the tight labor market in the area. See **Exhibit D**, Report on Results of Operations, Chapter 5; see also **Exhibit E**, GRC Workpapers, WP-10.

c) Infrastructure Improvement and Replacement. In addition to regular replacement of aging infrastructure like meters, pumping equipment, and equipment to treat water to comply with increasing water quality compliance requirements, Great Oaks also plans to invest in near-zero-emission vehicles as

a part of a fleet upgrade and battery energy storage systems to reduce power costs during periods of peak power usage/pricing and to provide seamless power for our well sites' critical loads during short outages. See **Exhibit G**; and **Exhibit E**, GRC Workpapers, WP-17 – WP-20.

d) Outside Services (Account 798): Outside services include a renewal in the WaterSmart conservation program with escalated annual costs and a development program with an outside consultant to comply with the GO 156 Supplier Diversity Program. The estimated combined cost of the annual increase of the water conservation program and supplier diversity compliance requirements is \$55,000. See **Exhibit D**, Report on Results of Operations, Chapter 5; see also **Exhibit E**, GRC Workpapers, A&G Expenses, WP-6.

e) Purchased Power. The average cost to purchase electricity per kWh has been increasing every year at an average of 9% per year for the past five years and it will continue to increase as the Commission continues to approve rate increases for PG&E. Due to the increased water production projected in Test Year 2025/2026, along with the increased electric rates, the total cost to purchase power is estimated to increase by \$361,212 in Test Year 2025/2026 from adopted Rate Year 2023/2024. The calculated base composite rate of \$0.31677 is used to calculate the purchased power expense in Test Year 2025/2026. The composite rate is calculated using the September 2023 PG&E schedules. The purchased power expense is calculated using the average energy efficiency of 417 kWh per acre foot that was adopted in D.23-04-004. See **Exhibit E**, GRC Workpapers, WP-9

f) Property and General Liability Insurance. Insurance costs have been rising steadily and significantly outstripping the average annual inflation rate for the past five years, primarily due to wildfire risk. One of the facilities that Great Oaks owns received an updated wildfire mitigation score that put the facility in the high-risk category. The insurance cost is estimated to increase by 17% in Test Year 2025/2026. See **Exhibit E**, GRC Workpapers, WP-6.

5) **Issues of Controversy.** The major controversial<sup>1</sup> issues included in this general rate case filing are listed below. [MDR I.C.]

a) Water Sales Forecast. In compliance with the Commission's Rate Case Plan D.07-05-062, Commission Decision 16-12-026, and, most recently, D.20-08-047, the Company's water sales forecast includes consideration of multiple factors. The number of customers is expected to increase marginally as the Company does not plan to expand its service territory to add more customers. Another factor used in the water sales forecast calculation is the average water use per customer that was agreed upon between Great Oaks and the Public Advocates Office in the partial settlement approved in D.23-04-004. Great Oaks requests approval of its forecast of Test Year customers and water production. See **Exhibit E**, GRC Workpapers, WP-3.

b) Service Charges and Tiered Quantity Rates. Great Oaks requests that 100% of fixed costs be recovered through service charges and variable costs be recovered through the quantity charge. Recovering the full fixed cost of operation through a service charge consistently is critical for the Company to provide safe and reliable water service regardless of how much water is sold. Providing a utility with the traditional throughput incentive is inconsistent with State water usage policy. See **Exhibit D**, Chapter 4.

c) Proposed Capital Projects. Great Oaks continues to comply with relevant rules and guidance to replace its aging infrastructure and to improve the efficiency of the operation of the water system to provide safe and reliable water to customers. The total cost of proposed capital projects is estimated to be a little over \$1.4 million in Test Year 2025/2026. The list of the proposed projects can be found in **Exhibit G**, Proposed Capital Projects.

d) GO 156 Supplier Diversity Program. In its last General Rate Case decision, D.23-04-004, Great Oaks received authorization to establish a Supplier Diversity

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<sup>1</sup> Because "controversial" is a subjective term, Great Oaks understands that there is room for honest disagreement over this list.



Program Expense (SDPE) Memorandum Account. The revenue increase granted in the prior rate case put Great Oaks' revenue above \$25 million and Great Oaks became a participant in the Supplier Diversity Program. The projected costs associated with compliance with the Program are expected to be \$45,000 annually for the next three years starting in Test Year 2025/2026. As of December 31, 2023, Great Oaks has recorded, with interest, \$35,457 of the costs of complying with the Program to the SDPE memo account. If the annual Program cost is approved to be included in rates, Great Oaks requests that the final balance of the account be amortized and the Supplier Diversity Memorandum Account be closed. See **Exhibit D**, Report on Results of Operations, Chapter 1 Introduction.

e) Retirement Plan. Great Oaks requests the authority to terminate the defined benefit pension plan, and to establish a defined contribution plan or 401(k) retirement plan. The Company suggests that offering a 401(k)-retirement plan, instead of a pension plan, will attract younger employees to join and stay with the Company. The 401(k) plan allows employees to choose how they want to invest in their retirement savings. If approved, Great Oaks requests the authority to file a Tier 1 Advice Letter to amortize the under- or over-collection of the Pension Expense Balancing Account and to close the account. See **Exhibit E**, GRC Workpapers, WP-7.

**6) Proposed Notice to Customers.**

The proposed Notice to Customers is attached as **Exhibit C**. [MDR I.D.]

**7) Water Quality.**

Great Oaks is in compliance with all water quality regulations and requirements and requests that the Commission make a finding that Great Oaks' water quality meets all applicable state and federal drinking water standards and the provisions of General Order 103 based upon the evidence presented in **Exhibit D**, Report on Results of Operations, Chapter 3.

**8) Compliance with Commission General Orders, Water Division Rules, and Ordering Paragraphs.** Great Oaks is in compliance with all

Commission General Orders, Water Industry Rules, and Ordering Paragraphs and requests that the Commission make findings that Great Oaks is in compliance with applicable Commission General Orders, Water Industry Rules, and Ordering Paragraphs of Commission Decisions.

9) **Proposed GRC Schedule**. See **Exhibit A** Proposed Rate Case Schedule.

10) **Existing Balancing Accounts**. Great Oaks requests that it be authorized to maintain its previously authorized balancing accounts, all as described below.

a) **Purchased Power**: The difference between adopted power rates and actual power rates multiplied by actual kilowatts used per the applicable rate schedule. Great Oaks requests continuance of this account.

b) **Pump Tax, Non-Agricultural Service**: Over-collections and under-collections of pump tax pass-through costs resulting only from administrative and other delays, not from changes to or elimination of the pump tax rate. Great Oaks requests continuance of this account.

c) **Pump Tax, Agricultural Service**: Over-collections and under-collections of pump tax pass-through costs resulting only from administrative and other delays, not from changes to or elimination of the pump tax rate. Great Oaks requests continuance of this account.

d) **Low-Income Customer Assistance Program Surcharge Balancing Account**: The purpose of this account is to track the differences between the recorded Low Income Customer Assistance Program (LICAP) surcharge revenues and the Company's recorded LICAP costs and expenses. Great Oaks requests continuance of this account.

e) **Pension Expense Balancing Account**. The purpose of this account is to track the differences between Authorized Plan Expenses and SFAS 87 pension expenses for the Company's Defined Benefit Plan and Trust. As described in paragraph 5(e) above, Great Oaks requests the authority to convert the defined benefit plan into a defined contribution plan in this Application. If this request is approved, Great Oaks requests authority to amortize the final under- or over-collection of pension expenses in the Balancing Account before closing the account. and See **Exhibit D**,

Report on Results of Operations, Chapter 5.

f) Drinking Water Balancing Account. The purpose of this account is to track the incremental drinking water fees charged by the State Resources Water Control Board to the adopted rates per Great Oaks' 2021 General Rate Case decision (D.23-04-004). The State Board's drinking water fees have continued to rise since 2021 by more than 10 percent each year. Great Oaks cannot accurately predict what the increase in the fees will be in future years. Therefore, Great Oaks requests continuance of this account.

**11) Existing Memorandum Accounts.** Great Oaks requests that it be authorized to maintain/update its previously authorized memorandum accounts, all as described below:

a) Monterey-Style Water Revenue Adjustment Mechanism: The purpose of this account is to track quantity rate revenues collected under Schedule No. 1 General Metered Service Tiered Rates against revenues that would have been collected under uniform quantity rates. Great Oaks requests continuance of this account.

b) Santa Clara Valley Water District Memorandum Account. This account tracks and records expenses incurred by Great Oaks in its litigation against the Santa Clara Valley Water District. This memorandum account was authorized in 2005 and the litigation continues. See **Exhibit I**, Litigation Summary. Great Oaks requests continuance of this account. See **Exhibit D** Report on Results of Operations, Chapter 3 Company Operations and Basic Information.

c) City of San Jose Litigation Memorandum Account. The Company requests the continuation of this memorandum account in which legal expenses from the Company's ongoing service area disputes with the City of San Jose are tracked and recorded. The reasons and basis for establishing the account have not changed. See **Exhibit I**, Litigation Summary. Great Oaks requests continuance of this account.

d) Water Cost of Capital Adjustment Mechanism. The Company requests the continuation of this account, the purpose of which is to provide an automatic adjustment (up or down) to the Company's adopted return on equity. The reasons

and basis for establishing the account have not changed. Great Oaks requests continuance of this account.

e) School Lead Testing Memorandum Account. The purpose of this account is to track the incremental expenses not already reflected in authorized rates incurred by the Company that are unforeseen, unexpected, and directly associated with implementation of the School Lead Testing Program. Great Oaks requests continuance of this account.

f) COVID-19 Catastrophic Event Memorandum Account (CEMA). As directed in decision D.24-01-034, Great Oaks requests to close the COVID-19 CEMA in this rate case application. There is no balance in the CEMA account to recover as Great Oaks has applied and received fund from the Water and Wastewater Arrearage Payment Program (WWAPP) to address the unpaid bills and uncollectible expenses. Great Oaks, however, is required to have a one-time single audit performed because the federal grant received is more than \$750 thousand from WWAPP. The estimated cost of \$50,000 of a single audit report is included in the Test Year 2025/2026. See **Exhibit E**, GRC Workpapers, A&G Expenses, WP-6.

g) Credit Card Pilot Program Memorandum Account. This memorandum account should be maintained and updated. See **Exhibit D** Report on Results of Operation, Chapter 5 Operating Expenses, **Exhibit 5-5**. Great Oaks requests continuance of this account.

h) Supplier Diversity Memorandum Account. The purpose of the Supplier Diversity Program Expense Memorandum Account is for the Utility to track and recover incremental expenses incurred by the Utility to comply with the CPUC Supplier Diversity Program that are not already reflected in authorized rates. Great Oaks requests continuance of this account.

i) 2021 GRC Interim Rates Memo Account. The purpose of this account is to track revenue differential between interim rates and the final rates, subject to refund, adopted in the Utility's 2021 General Rate Case. Great Oaks filed

Advice Letter 326-W to refund the over collection of this memo account along with other various Balancing and Memo Accounts. Since the final rates of the 2021 GRC application have been fully implemented, this account is no longer needed. Great Oaks requests to close this account.

j) Lead and Copper Rule Revisions Memorandum Account. The purpose of this account is to record any incremental expenses and carrying costs on capital investments that are required to comply with the Lead and Copper Rule Revisions of the United States Environmental Protection Agency that are not otherwise covered in Great Oaks Water Company's revenue requirement. Great Oaks requests continuance of this account.

k) Excess Usage Surcharge and Conservation Expense Memorandum Account. The purpose of this account is to record and track all Excess Usage Surcharge revenue collected under Schedule No. 14.1 and conservation expenses incurred under its Schedule No. 14.1 conservation measures, all while Schedule No. 14.1 remains activated in response to the Water Shortage Emergency condition declared by the Santa Clara Valley Water District on June 9, 2021. Great Oaks has filed Advice Letter 326-W to dispose the balance of this account.

**12) Request for New Memorandum Account**

Great Oaks requests authorization to establish the Battery Energy Storage System Memorandum Account to track the costs associated with the purchase and installation of a battery energy storage system in its facilities. As Great Oaks explains in Exhibit G, the costs of the system, as well as the availability and amount of any grant funding, are currently too uncertain to include in rates. A memorandum account is therefore necessary.

**13) Correspondence and Communication for this Application.** The name and address of the person to whom correspondence or communications in regard to this Application are to be addressed are:

Megan Somogyi  
Downey Brand LLP  
445 Market Street, Suite 1500

San Francisco, CA 94105  
Telephone: (415) 848-4829  
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With a copy to:

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- 14) **Rule 2.1(c) Requirements.** Pursuant to Rule 2.1 (c) of the Commission's Rules of Practice and Procedure, Great Oaks submits that the proposed category for this proceeding is Ratesetting, that hearings are requested should the parties be unable to reach an acceptable resolution of all issues presented herein, that the issues identified in this Application and supporting exhibits be fully considered in this proceeding, and that the proceeding adopt the proposed schedule provided in **Exhibit A** hereto.

**II. Requests based upon Application.**

Great Oaks requests the following:

- 1) The Applicant requests that rates be authorized as proposed in this Application, consistent with the supporting testimony and documentation.
- 2) Great Oaks requests that it be authorized to maintain and/or modify its

previously authorized balancing and memorandum accounts, as described above and in this Application, as well as to add requested balancing and memorandum accounts.

3) Great Oaks requests specific findings that it is in compliance with all applicable water quality requirements, all Commission General Orders, all Water Industry Rules, and all Ordering Paragraphs applicable to the Company.

4) Great Oaks requests that the Commission issue a final decision on this Application in compliance with Public Utilities Code §455.2 in a manner that ensures that the decision becomes effective on the first day of the test year.

Date: July 1, 2024

Great Oaks Water Company

By \_\_\_\_\_ /s/

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