

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

Application of Great Oaks Water Company (U-162-W) for an Order authorizing it to increase rates charges for water service by \$3,480,305 or 18.18% in 2019, by \$1,689,521 or 7.47% in 2020, and by \$1,576,419 or 6.48% in 2021.

Application No. _____

Filed: _____

**APPLICATION OF GREAT OAKS WATER COMPANY
TO INCREASE RATES FOR WATER SERVICE**

Great Oaks Water Company (Great Oaks) (U-162-W) hereby applies for and requests authority from the California Public Utilities Commission (Commission) to increase rates throughout Great Oaks' service area. This Application is submitted in accordance with the Commission's Rules of Practice and Procedure (Rules), the California Public Utilities Code (PUC), the Commission's Rate Case Plan (RCP) for Class A Water Utilities adopted in Decision (D) 07-05-062, and other applicable Commission Decisions, Resolutions, and Standard Practices.

The requested increase in rates is necessary for Great Oaks to recover projected expenses and to earn a fair, just, and reasonable rate of return on its invested capital. The requested increase in rates will also permit Great Oaks to make additional and necessary investments in existing and new plant, property, and equipment so as 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 wholly-owned by GOW Corporation. See Commission Decision (D.) 15-03-006, issued March 13, 2015.

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 following Exhibits are also incorporated by reference into this Application. These Exhibits are being served upon the Commission's Office of Ratepayer Advocates (ORA) with this Application and will be provided to interested parties upon request, but the following Exhibits will not be filed.

- Exhibit D: Report on Results of Operations
- 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

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

The following table provides a comparison of the proposed 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. [MDR I.A.]

Summary of Requested Revenue Requirement and Rate Base Changes

	Last Full Recorded Rate Year 2016/2017	Projected Rate Year 2017/2018	Adopted Rate Year 2018/2019	Proposed Test Year 2019/2020
Total Revenue Requirement	\$15,356,530	\$18,537,941	\$20,616,781	\$22,549,401
Rate Base \$	\$14,066,150	\$15,159,728	\$14,435,155 ¹	\$17,493,803
Rate Base % Increase/(Decrease)	11.13%	7.77%	0.00% ²	6.74%
Total O&M and A&G Expenses \$	\$8,420,326	\$10,717,932	\$16,283,621	\$16,151,141
Operating Expenses % Increase/(Decrease)	4.73%	27.29% ³	51.19% ³	8.80%
Rate of Return	11.64%	19.80%	9.10%	9.10%

4) Primary Cost Increases. The five most significant issues, in dollar terms, presented in this Application are listed below. [MDR I.B.]

a) Capital Projects/Additions to Rate Base: Amount of Increase in Rate Base: \$1,105,053 (6.74%) increase over projected year 2018/2019 and \$3,058,648 (21.19%) increase over last adopted rate base. Although this increase does not translate directly to a rate increase of equal amount in either dollars or percentage increase, it is a significant investment by the Company. Increases associated with capital projects are projected for Test Year 2019/2020. The largest area of increase is in Transmission & Distribution Plant, with a proposed increase of \$808,266. See **Exhibit G**, Proposed Capital Projects; see also **Exhibit E**, GRC Workpapers, Plant in Service Additions, pp. WP-17 to WP-20.

b) Groundwater Charges (Pump Tax Expense): Amount of Increase: \$1,079,349 over projected year 2018/2019 groundwater charges. While Great Oaks has no control over this expense increase, Great Oaks has made every effort to reduce this burden on ratepayers by challenging the pump taxes levied by SCVWD. See **Exhibit I**, Litigation Summary.

¹ See Great Oaks Advice Letter 270-W (attrition year).

² As compared to last adopted/authorized rate base.

³ As compared to Projected 2017/2018 Total O&M and A&G Expenses.

c) Outside Services (Account 798): Amount of Increase: \$167,213 over projected 2018/2019 expenses. The primary driver of this increase is the full implementation of the WaterSmart conservation program. See **Exhibit D**, Report on Results of Operations, Chapter 9; see also **Exhibit E**, GRC Workpapers, A&G Expenses, WP-6.

d) Miscellaneous General Expenses (Account 799): Amount of Increase: \$55,425 over projected 2018/2019 expenses in this category. The increase represents normal cost increases, plus the inclusion of additional non-Commission compliance costs.

e) Franchise Requirements (Account 796): Amount of Increase: \$42,789 over projected 2018/2019 expenses in this category. The increase is due to the increased projected revenues, as the franchise fees paid by the Company to the City of San José are based upon a percentage of sales revenues.

5) **Issues of Controversy**. The major “controversial”⁴ issues included in this general rate case filing are listed below. [**MDR I.C.**]

a) Water Sales Forecast. Great Oaks’ water sales forecast in this Application is not based upon the “New Committee Method” as in past general rate cases. Instead, the Company has projected water sales based upon a simple, yet intuitive process that uses 2013 as the base year, with a twenty percent (20%) reduction in the Test Year for each customer class. The Commission solicited new forecasting methods in D.16-12-026, and Great Oaks is offering the new sales forecast with a request for an annual Sales Reconciliation Mechanism intended to reduce and/or eliminate material differences between the sales forecast and actual sales to produce more accurate rates. The sales forecast and Sales Reconciliation Mechanism are discussed fully in Chapter 4 of **Exhibit D**, Report on Results of Operations.

b) Rate Design. Consistent with D.16-12-026, the Company is proposing an entirely new rate design. Under the proposed rate design, one hundred percent (100%) of fixed costs are to be recovered through services charges, while 100% of variable costs are recovered through the quantity (commodity) charges. The proposed rate design also includes a proposal to modify the tiers applicable to single-family residential customers in its tariff schedule for general metered service. And, to promote conservation by high water users (sometimes referred to as

⁴ Because “controversial” is a relative term, Great Oaks understands that there is room for honest disagreement over this list.

“superusers”), the Company is proposing a higher fourth tier that would likely only affect the top 100 highest single-family residential customers. The change in rate design also provides larger discounts to low-income customers, promoting affordability. The proposed rate design is discussed in Chapter 4 of **Exhibit D**, Report on Results of Operations.

c) Amortization of Balance in Contamination Proceeds Memorandum Account. Consistent with D.16-05-041, Great Oaks has proposed a method for amortization of the balance in its Contamination Proceeds Memorandum Account using the guidance provided in D.10-10-018. See **Exhibit D**, Report on Results of Operations, Chapter 3.

d) Amortization of Balance in Conservation Lost Revenue and Expense Memorandum Account. Great Oaks proposes to amortize the balance in this Memorandum Account by offsetting that balance with excess usage surcharges that were assessed in accord with Great Oaks’ authorized Schedule No. 14.1 tariff and booked as required under Commission Resolution W-4976. See **Exhibit D**, Report on Results of Operations, Chapter 6.

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.

Date	Action
May 1, 2018	Proposed Application Served on ORA
June 5, 2018 (Day -30)	ORA Evaluation and Issuance of Deficiency Letter
June 5, 2018 (Day -25)	Appeal to Executive Director of Commission
June 11, 2018 (Day -19)	Executive Director Acts

July 2, 2018 (Day 0)	GRC Application Filing Deadline
July 12, 2018 (Day +10)	Publish Notice of GRC Application – Rule 3.2(c)
July 12 – Sept. 14, 2018 (Day +10 – 76)	PHC Held
July 23, 2018 (Day +20)	Serve Notice of GRC Application – Rule 3.2(b)
August 16, 2018 (Day +45)	Deadline for Updates
July 12 – Sept. 17, 2018 (Day +10 – 79)	Public Participation Hearing(s)
October 8, 2018 (Day +97)	Distribution of ORA Testimony
October 8, 2018 (Day +97)	Distribution of Testimony by Other Parties
October 23, 2018 (Day +113)	Distribution of Rebuttal Testimony
October 25 – Nov. 5, 2018 (Day +115 – 125)	Alternative Dispute Resolution
Nov. 6 – Nov. 9, 2018 (Day +126 – 129)	Evidentiary Hearings
Dec. 7, 2018 (Day +160)	Opening Briefs Filed and Served
Dec. 7-8, 2018 (Day +160-161)	Motion for Interim Rates and Status Conference
Dec. 22, 2018 (Day +175)	Reply Briefs Filed and Served by ORA and other parties
January 11, 2019 (Day +190)	Great Oaks files Reply Brief with comparison exhibit
January 15, 2019 (Day +194)	Water Division Technical Conference
Feb. 25, 2019 (Day +240)	Presiding Officer’s Proposed Decision Mailed
March 18, 2019 (Day +260)	Comments on Proposed Decision
March 23, 2019 (Day +265)	Reply Comments Due
April 8, 2019 (Day +280)	Expected Commission Meeting
Decision +30 Days	Deadline for Filing Application for Rehearing

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.

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.

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.

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.

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. Great Oaks requests minor adjustments to this account in this Application.

f) 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.

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

a) 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. See **Exhibit I**, Litigation Summary.

b) City of San Jose Litigation Memorandum Account. The Company requests the continuation of this memorandum account in which legal expenses from the Company 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.

c) 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.

d) "Tax Cuts and Jobs Act" Memorandum Account. The purpose of this account is to track on a CPUC-jurisdictional revenue requirements basis the impacts of the Tax Cuts and Jobs Act not otherwise reflected in rates from January 1, 2018 until the effective date of the revenue requirement changes in this general rate case.

e) Drinking Water Fees Memorandum Account. The purpose of this account is to track the difference between all actual drinking water fees charged by the State Water Resources Control Board and the drinking water fees authorized in D.16-05-041.

f) 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 complying and implementing the School Lead Testing Program.

g) Conservation Lost Revenue and Expense Memorandum Account. The purpose of this account is to remove the financial disincentive to conserve under the policy of the Commission and to promote conservation consistent with Schedule No. 14.1 requirements. See **Exhibit D**, Report on Results of Operations, Chapter 3, for discussion of amortization of this Memorandum Account.

h) Catastrophic Event Memorandum Account. The Company requests continuation of this account, the purpose of which is to record and recover the costs associated with the restoration of service and utility facilities affected by a catastrophic event declared to be a disaster or state of emergency by competent federal or state employees.

12) 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 addressed is:

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540 Extension 17
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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.
- 3) Great Oaks requests that it be authorized to amortize the balance in its Conservation Lost Revenue and Memorandum Account as proposed in Exhibit D, Report on Results of Operations, Chapter 3.
- 4) Great Oaks requests 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.
- 5) 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 2, 2018

Great Oaks Water Company

By: _____/S/
Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
PO Box 23490
San Jose, CA 95153
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VERIFICATION

I, Timothy S. Guster, am Vice President and General Counsel of Great Oaks Water Company, the Applicant in this proceeding. I have read this Application and know the contents thereof. I certify that the contents of this Application are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on July 2, 2018

/s/
Timothy S. Guster