

**GREAT OAKS WATER COMPANY
OPENING BRIEF**

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Summary of Great Oaks' Water Company's Recommendations

Great Oaks Water Company respectfully requests that the Commission accept and authorize requested revenues of \$22,783,129 and the additional reliefs addressed in this Opening Brief.

**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 \$2,618,705 or 12.05% in 2022, by \$1,762,136 or 7.23% in 2023, and by \$1,879,770 or 7.20% in 2024.

Application No. 21-07-001
Filed: July 1, 2021

**GREAT OAKS WATER COMPANY'S
OPENING BRIEF**

I. Introduction

On July 1, 2021, Great Oaks Water Company (Great Oaks) filed Application (A.) 21-07-001 with the California Public Utilities Commission (Commission) requesting rate increases effective July 1, 2022, and other relief, all as set forth in the Application and its accompanying testimony and exhibits. On August 6, 2021, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a Protest to A.21-07-001. The Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued on October 13, 2021, listing twelve issues to be determined or otherwise considered in this proceeding.¹

On November 9, 2021, a public participation hearing (PPH) was held (virtually) following proper and required notice to all Great Oaks customers. Presentations were made by both Great Oaks and Cal Advocates at the PPH. One PPH attendee asked a question. The PPH attendees did not oppose Great Oaks' Application.

¹ <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M414/K982/414982298.PDF>.
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Cal Advocates submitted various data requests to Great Oaks and Great Oaks responded to each, including supplemental responses when necessary. There were no discovery disputes during the proceeding and Great Oaks and Cal Advocates worked together well.

Cal Advocates served its Report on Great Oaks Water Company's Fiscal Test Year 2022-2023 General Rate Case Application (Cal Advocates Report) on November 19, 2021. Following receipt of the Cal Advocates Report, Great Oaks submitted one data request to Cal Advocates and Cal Advocates responded. On December 10, 2021, Great Oaks served its Rebuttal Testimony.

Following service of Great Oaks' Rebuttal Testimony, Great Oaks and Cal Advocates engaged in settlement negotiations and, ultimately, mediation with a Commission-assigned neutral mediator. Consistent with the good working relationship, Great Oaks and Cal Advocates reached agreement on many of the requests in A.21-07-001 and will jointly request Commission acceptance and adoption of their partial settlement agreement in a separate filing.

On January 7, 2022, Great Oaks filed its Motion for Authority to Implement Interim Rates by Tier 1 Advice Letter in accord with the schedule established in the Scoping Memo. Cal Advocates did not file a response or opposition to the interim rates motion.

On January 24, 2022, the Joint Statement of Great Oaks Water Company and the Public Advocates Office in Compliance with January 3, 2022 E-Mail Ruling was served (Joint Statement). The Joint Statement included Stipulations Regarding Resolved Issues, Stipulations Regarding Issues Requiring Evidentiary Hearing, Stipulations Regarding Witnesses and Testimony, and an Exhibit Index. To the extent Stipulations in the Joint Statement are relevant to issues addressed in this Brief, references to specific Stipulations will be provided. All references to Exhibits in this Brief are in accord with the Joint Statement Exhibit Index.

On January 31, 2022, an evidentiary hearing was conducted on one issue – the just and reasonable amount of Account 700 Groundwater Charges that should be included in rates beginning July 1, 2022. A transcript of the evidentiary hearing A.21-07-001 Great Oaks Water Company's Opening Brief

was provided to Great Oaks on February 7, 2022. To the extent testimony from the evidentiary hearing are utilized in this Brief, citations will be provided to the Transcript, including page and line(s).

As evidenced by the various Stipulations between Great Oaks and Cal Advocates submitted with the Joint Statement, many of the issues raised by Great Oaks in A.21-07-001 have been resolved. General descriptions of the remaining issues to be decided in this proceeding are provided below.

Included with this Brief are various exhibits originally presented with Great Oaks' testimony, along with GRC Workpapers – GRC Brief, which includes all of the requested reliefs, revenues, and rates discussed herein.

A. Information about the Applicant and the Application

Great Oaks is a California corporation with its principal place of business located at 20 Great Oaks Boulevard, Suite 120, San Jose, California.² Great Oaks is owned by John Roeder and the John W.S. Roeder Continuing Trust.³ Great Oaks is a Class A water utility, having more than 10,000 customers.⁴

Great Oaks has complied with all notice requirements pertaining to A.21-07-001, including the requirements of Rule 3.2 of the Commission's Rules of Practice and Procedure.⁵ In the period of time since the filing of Great Oaks' 2018 general rate case application (A.18-07-002), Great Oaks' service quality is and has been in accord with the standard performance measure set by the Commission for complaints filed with the Commission's Consumer Affairs Branch (the standard being less than, or equal to, 0.1% of the Company's total customers).⁶ During that period of time, there have been zero formal complaints filed against Great Oaks with the Consumer Affairs Branch.⁷

² Joint Statement, Stipulations – General Issues, Memorandum and Balancing Accounts, Stipulation 1.

³ *Id.*

⁴ *Id.*, Stipulation 2.

⁵ *Id.*, Stipulation 6.

⁶ *Id.*, Stipulation 7.

⁷ *Id.* Note: Great Oaks has not had a formal complaint lodged against it for more than a decade.

Great Oaks is in full compliance with all water quality regulations and requirements, and Great Oaks' water quality meets all applicable state and federal drinking water standards and provisions of Commission General Order No. 103-A.⁸ Great Oaks is also in compliance with all applicable Commission General Orders, Water Industry Rules, and Ordering Paragraphs.⁹

Application 21-07-001 originally requested increases in Great Oaks' total revenue requirement of \$2,618,705 or 12.05% in Test Year 2022/2023, \$1,762,136 or 7.23% in Escalation Year 2023/2024, and \$1,879,770 or 7.20% in Attrition Year 2024/2025.¹⁰ After updating its requests in August of 2021 and further refining its requests in Rebuttal Testimony, Great Oaks' requested increase for Test Year 2022/2023 decreased to \$1,327,531 or 6.11%.¹¹ The requested increases for the Escalation and Attrition Years also declined, with the Escalation Year 2023/2024 requested increase dropping to \$1,548,902 (6.72%) and the Attrition Year 2024/2025 requested increase dropping to \$1,634,519 (6.64%).¹² Through settlement of various issues with Cal Advocates, Great Oaks' requested increases have dropped even further, as discussed in more detail below.

B. The Standard of Review

All rates charged or received by a public utility must be "just and reasonable."¹³ The Commission has issued two Decisions setting the schedules and rules for general rate cases – D.04-06-018 and D.07-05-062. Great Oaks' Application and supporting testimony and evidence comply with all requirements of D.04-06-018 and D.07-05-062, as well as with all other requirements established by the Commission for this general rate case.¹⁴ Great Oaks describes and explains its methodology for projecting and forecasting expenses and revenues throughout its

⁸ *Id.*, Stipulation 4.

⁹ *Id.*, Stipulation 5.

¹⁰ *See*, A.21-07-001.

¹¹ Exhibit GOWC-5; Exhibit GOWC-6, at WP1 – Summary of Earnings (Cell K18).

¹² Exhibit GOWC-6, at WP1 – Summary of Earnings (Cells L18 and M18).

¹³ Pub. Util. Code §451.

¹⁴ *See, e.g.*, D.20-08-047, at p. 51 and Ordering Paragraph 1 at pp. 105-106 (pertaining to additional factors to be considered when forecasting customers in general rate cases).

Application and supporting testimony, including the Exhibit GOWC-2 GRC Workpapers and the Exhibit GOWC-6 Great Oaks Water Company Rebuttal Workpapers.¹⁵

As discussed in detail below, because Great Oaks has complied with all Commission requirements for its general rate case application, the rates requested by Great Oaks are just and reasonable. Also as discussed in detail below, the positions taken by Cal Advocates often do not comply with Commission requirements and, if adopted, would result in rates that fail the “just and reasonable” standard of Public Utilities Code §451.

C. Issues Remaining to be Decided

The following issues for the Test Year beginning July 1, 2022 (Test Year 2022/2023) remain to be decided and are addressed in this Brief, in the order listed:

- Customer Forecasts – projected number of customers in each customer class for Test Year 2022/2023.
- Water Sales Forecast – total projected water sales to all customers for Test Year 2022/2023.
- Operations & Maintenance Expenses – projected Operations & Maintenance (O&M) Expenses for Test Year 2022/2023 in the following Accounts:
 - Account 700 Groundwater Charges. Cal Advocates’ challenge to Great Oaks’ projected groundwater charge expenses is based upon the amount/percentage of water produced by Great Oaks in the two different groundwater charge zones. Great Oaks addresses Cal Advocates’ challenge in this section.
 - Account 726 Purchased Power Expense. The Account 726 issue is the projected Test Year 2022/2023 cost of electricity to pump groundwater and the factors that affect this cost, all of which are addressed in this section.

¹⁵ All of Great Oaks’ Workpapers include details of the methodologies used in the formulas shown for each expense and revenue account and category.

- Account 773 Customer Records and Collections. The Account 773 issue is limited to Cal Advocates' challenge to Great Oaks' inclusion of the projected costs of the continuing Credit Card Pilot Program.
 - The related issue of the proposed continuation of the Credit Card Pilot Program Memorandum Account is also addressed in the discussion of Account 773 expenses.
- Administrative & General Expenses. This section addresses projected Administrative & General (A&G) Expenses for Test Year 2022/2023 in the following Accounts:
 - Net Payroll Expense. The net payroll expense issue addresses Cal Advocates' challenge to two Commission-authorized employment positions: (1) Customer Service Representative; and (2) Field Services – Water Quality Specialist/Environmental Services.
 - Account 793 Insurance Expenses. Cal Advocates' challenge to the cost estimates provided by Great Oaks' insurance agent/broker is addressed in this section.
 - Account 794 Injuries and Damages. The differences between Great Oaks and Cal Advocates for projected Test Year 2022/2023 Account 794 expenses are due to the methodologies used by each and are addressed in this section.
 - Account 795 Employee Pension and Benefits Expenses. Two issues remain with respect to Account 795 projected Test Year 2022/2023 expenses: (1) total expenses based upon the number and compensation of employees (see Net Payroll Expense issue above); and (2) Great Oaks' proposed employee safety program - the Injury and Accident Prevention/Corrective Exercise Program.
 - Request to Modify the Terms of the Pension Expense Balancing Account. Great Oaks has requested a modification of the terms of its Pension Expense Balancing Account (PEBA) so that NPBC and authorized Account 795 pension expenses are compared over

the same time period. Cal Advocates has opposed this request.

Great Oaks addresses Cal Advocates' opposition in this section.

- Account 796 Franchise Requirements. Great Oaks and Cal Advocates have stipulated the formula proposed by Great Oaks to calculate Account 796 expenses is correct, just, and reasonable.¹⁶ The only remaining issue is the amount of Account 796 expenses for Test Year 2022/2023, which is dependent upon the final Total Operating Revenues.
- Account 798 Outside Services. The remaining issues are due to the methodologies used by Great Oaks and Cal Advocates to project Account 798 Test Year 2022/2023 expenses and Cal Advocates' opposition to Great Oaks' proposed Customer Communications Program.
- Account 811 Rents. Cal Advocates' challenge to the projected rent expense for Great Oaks' office/operations center is addressed in this section.
- Non-Tariffed Products and Services. The sharing of passive income from Great Oaks' rental of water system plant-in-service locations is addressed in this section.
- Plant-In-Service Additions and Rate Base. This section addresses Great Oaks' requests pertaining to plant-in-service additions and rate base for Test Year 2022/2023.
 - Account 345 Services. The differences between Great Oaks and Cal Advocates are discussed, including Cal Advocates' non-standard calculation method.
 - Account 346 Meters. The differences between Great Oaks and Cal Advocates are discussed, including the implications of accepting Cal

¹⁶ Joint Statement, Stipulations – Operating & Maintenance Expenses, Administrative & General Expenses, Taxes, at p. 2
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Advocates' recommendation and the effect of doing so on General Order No. 103 compliance.

- Account 372 Computers. The differences between Great Oaks and Cal Advocates are discussed, including Cal Advocates' non-standard calculation method.
- Rate Base – Working Cash Component of Rate Base. Cal Advocates' insistence upon using a method to determine the working cash component of rate base that the Commission has never before imposed upon Great Oaks is discussed in this section.
- Rate Base. In this section, Great Oaks discusses the requested rate base for Test Year 2022/2023, giving consideration to the plant-in-service and working cash issues addressed in the previous sections.
- Memorandum and Balancing Account Issues. Non-revenue issues in this general rate case proceeding are addressed in this section, including the following:
 - Amortization of Groundwater Charge Balancing Accounts. Cal Advocates has reviewed Great Oaks' groundwater charge balancing accounts and Great Oaks requests authority to amortize the balances in these two accounts through an Advice Letter filing either separately or in combination with balances in other memorandum or balancing accounts.
 - Catastrophic Events Memorandum Account. Cal Advocates has reviewed Great Oaks' Catastrophic Events Memorandum Account resulting from the 2019 Public Safety Power Shutoff events and Great Oaks requests authority to amortize the balance in this account through an Advice Letter filing either separately or in combination with balances in other memorandum or balancing accounts.
 - Supplier Diversity Program Memorandum Account. As a result of the proceedings on A.21-07-001, Great Oaks will become a participant in the Commission's General Order 156 Supplier Diversity Program. In

this section, Great Oaks requests authority to track and recover costs of compliance with the still-developing and new reporting requirements for this Program currently under consideration in R.21-03-010.

- USEPA Lead and Copper Rule Revisions (LCRR) Expense Memorandum Account. In this section Great Oaks requests the establishment of a memorandum account to track and recover costs of compliance with the US EPA's new requirements to ascertain whether customer service lines (not Great Oaks' service lines) contain lead and/or copper.
- Santa Clara Valley Water District Litigation Memorandum Account. In this section Great Oaks addresses its request to revise this existing and authorized memorandum account to enable Great Oaks to recover its litigation costs without impacting rates or costs to its customers.
- Total Revenue Requirement, Rate Design, and Requested Rates. In this section, Great Oaks compiles all of the expenses and rate components to present the total requested revenue requirement for Test Year 2022/2023, together with requested resolution of the final remaining issues related to:
 - Rate Design - Meters and Private Fire Protection. Great Oaks proposes the totals for each size of meter in this section, as well as the projected number of private fire protection customers and meters.
 - Rate Design and Requested Rates. Great Oaks and Cal Advocates have agreed upon the rate design to be utilized, and in this section Great Oaks presents the rate design and requested rates for Test Year 2022/2023.
 - Customer Assistance Program Surcharge. The Customer Assistance Program Surcharge that funds Great Oaks' Customer Assistance Program (CAP) is calculated and requested in this section.

- Comparison of Current and Requested Revenues and Average Customer Bills.
This section includes a comparison of revenues and rates and discusses the affordability of the requested rates, as required in the Scoping Memo.

D. Scoping Memo Issues

Separately or within the context of each issue listed above, Great Oaks also addresses the following General Issues identified in the Scoping Memo:

- a. Whether Great Oaks adequately justified the requested increases and other reliefs it seeks in its Application such that the Commission should authorize Great Oaks to increase its rates and grant the requested reliefs it seeks as set forth in the Application.
- b. Whether Great Oaks' estimate revenue, expenses, plant, and rate base for Test Year 2022-2023 and escalation years 2023-2024 and 2024-2025 are just and reasonable.
- c. Whether projected tax expenses, tax deferrals, and treatment of excess deferred tax reserves is just and reasonable.
- d. Whether calculation methods are just and reasonable.
- e. Whether Great Oaks' ratepayer revenue sharing methodology for non-tariffed products and services is fair to ratepayers.
- f. Whether Great Oaks should be authorized to maintain and/or modify its previously authorized balancing and memorandum accounts as set forth in the Application.
- g. Whether Great Oaks should be authorized the additional balancing and memorandum accounts as set forth in the Application.
- h. Whether Great Oaks' water quality meets all applicable state and federal drinking water standards and other provisions of General Order 103 and whether Great Oaks complies with all Commission Rules, Decisions, and statutes.
- i. Evaluate the adequacy of Great Oaks' customer service.
- j. Identify the potential impact of any rate increase on Great Oaks' low-income customers and the best way to address these potential impacts.

- k. Whether there will be impacts on environmental and social justice communities resulting from the Application, including the extent to which rate changes impact achievement of any of the nine goals of the Commission’s Environmental and Social Justice Action Plan.
- l. Whether there are any safety concerns presented in the Application.

E. Partial Settlement Agreement

Great Oaks and Cal Advocates have reported that many of the issues raised in A.21-07-001 have been resolved through settlement. To the extent that issues that have been settled are relevant to the discussion of the remaining unresolved issues, Great Oaks will reference the settled issues and the effect of the settlement of those issues on the remaining unresolved issues. Great Oaks and Cal Advocates will be presenting the partial settlement agreement for approval and adoption through a joint motion to be filed on or before April 1, 2022.

II. Discussion of the Remaining Unresolved Issues

A. Issues Remaining to be Decided

1. Customer Forecasts.

The table below shows the positions of Great Oaks and Cal Advocates on the projected number of customers in each customer class for Test Year 2022/2023.

Comparison of Customer Forecasts

Customer Class	Great Oaks Forecast ¹⁷	Cal Advocates Forecast
Single-Family Residential (SFR)	20,055	20,135
Multi-Family Residential (MFR)	648	641
Business	317	329
Industrial	57	54
Public Authority	147	148
Schools	44	44
Private Landscape	242	239
Agriculture ¹⁸	8	8
Total	21,518	21,598

¹⁷ See, Exhibit GOWC-5, at p. 11; Exhibit GOWC-6, at WP-11 Customers (Cells K12-K20).

¹⁸ Great Oaks and Cal Advocates have agreed upon and stipulated to the number of Agricultural customers for Test Year 2022/2023. See Joint Statement - Stipulation on Water Sales Forecast, Customers, and Rate Design, Stipulation 7.

The differences between Great Oaks and Cal Advocates are due to Cal Advocates’ failure to consider all required and relevant factors affecting projected customer counts (*i.e.*, Cal Advocates’ calculation methodology was not just or reasonable), as discussed in more detail below.

The Rate Case Plan and Minimum Data Requirements for Class A Water Utilities adopted and provided in Appendix A to D.07-05-062 requires the presentation of data showing the number of customers and percentage customer increase for the last authorized test years, the last five years of recorded data, and for the proposed test year.¹⁹ D.20-08-047, issued September 3, 2021, added “changes in customer counts” to the data that must be presented and considered when forecasting customer numbers for general rate case applications.²⁰ Great Oaks provided all of the required information with its Application. This is consistent with the Scoping Memo issue of whether calculation methods are just and reasonable.

In Exhibit GOWC-1, Chapter 4 Water Sales Forecast, Great Oaks presented a detailed analysis of the number of customers and the rate of growth in customers per customer class for the rate years from 2011/2012 through 2019/2020.²¹ The Customer Growth Trend data from Table 4-7 for all customer classes still in dispute is reproduced below.

Customer Growth Trends

Customer Class	Growth 2011 – 2020	Growth 2015 – 2020	Growth 2017 – 2020	Projected Growth 2022 – 2025
SFR	4.0%	1.7%	0.3%	0.3%
MFR	5.2%	2.8%	2.5%	2.5%
Business	2.8%	11.0%	2.1%	2.1%
Industrial	31.0%	5.8%	1.9%	1.9%
Pub. Auth.	-13.7%	1.4%	-1.4%	-1.4%
Schools	29.4%	2.3%	0%	0%
Priv. Ldsce.	86.4%	3.1%	1.3%	1.3%

This data shows a clear and unmistakable trend toward slower growth in recent years, as compared to the overall growth rate for the full nine-year period and

¹⁹ D.07-05-062, Appendix A, p. A-22.

²⁰ D.20-08-047, p. 50 and Ordering Paragraph 1(c), at p. 106.

²¹ Exhibit GOWC-1, Chapter 4, pp. 15-16.

the most recent five-year period. This is entirely consistent with the new approach to forecasting adopted in D.20-08-047, which required Great Oaks to incorporate “changes in customer counts” into its customer and water sales forecasts.²²

At the time Great Oaks’ testimony on customer and water sales forecasts was provided, customer counts for Rate Year 2020/2021 were not available. But Great Oaks did project customer counts for Rate Year 2020/2021 using its proposed customer forecasting methodology.²³ Then, when Great Oaks submitted its Rebuttal Testimony, customer count data for Rate Year 2020/2021 was available and this data confirmed the accuracy of Great Oaks’ customer forecasting methodology.²⁴ This further confirms Great Oaks’ use of a just and reasonable method of calculation.

In its Rebuttal Testimony, Great Oaks used the customer count data from Rate Year 2020/2021 to further refine its customer forecast to achieve even greater accuracy in its customer forecast.²⁵ Great Oaks’ final customer forecasts for each customer class are shown in the table below.

Great Oaks’ Projected Customer Counts

Customer Class	Rate Year 2021/2022	Test Year 2022/2023	Escalation Year 2023/2024	Attrition Year 2024/2025
SFR	20,023	20,055	20,087	20,119
MFR	638	648	658	668
Business	310	317	324	331
Industrial	56	57	58	59
Pub. Auth.	147	147	147	147
Schools	44	44	44	44
Priv. Ldsepe.	239	242	245	248
Agriculture	8	8	8	8
Total	21,465	21,518	21,571	21,624

Great Oaks’ customer count projections are based upon not just recent growth trends, but also Great Oaks’ knowledge that there is very little ongoing or planned housing development or other construction in Great Oaks’ service area.²⁶ Great

²² D.20-08-047, p. 50 and Ordering Paragraph 1(c), at p. 106.

²³ Exhibit GOWC-1, Chapter 4, Table 4-8, p. 17.

²⁴ See, Exhibit GOWC-5, Rebuttal Table 3, Comparison of Great Oaks’ Projected 2020/2021 Customer Averages to Actual Customer Averages, p. 10.

²⁵ *Id.*, at pp. 10 – 11.

²⁶ Exhibit GOWC-1, Chapter 4, p. 17.

Oaks believes that accuracy in forecasting the number of customers is an essential responsibility in general rate cases. Cal Advocates says that it, too, believes that “customer growth and sales forecasts should be as accurate as possible, since any over or under forecasts spread [Great Oaks’] revenue requirement over more or less customers and sales than [Great Oaks] will actually have.”²⁷ Despite this sentiment, however, Cal Advocates’ approach to forecasting customers for Test Year 2022/2023 did not include this relevant and required evidence.

Instead of considering the evidence provided by Great Oaks in support of its customer forecast, Cal Advocates applied a simple, five-year average of the change in the number of customers by customer class to arrive at its own customer forecast.²⁸ Cal Advocates relied exclusively on a footnote in D.07-05-062 for its methodology.²⁹ No effort was made by Cal Advocates to incorporate the lack of housing or other development in Great Oaks’ service area into its customer forecast. Cal Advocates’ approach was simplistic in every way. Cal Advocates’ methodology did not include consideration of the local knowledge evidence even though it was provided by Great Oaks. Cal Advocates’ method of calculating customer counts was not just and reasonable.

Notably, there is not a single reference to D.20-08-047 in Cal Advocates’ testimony on the customer forecast issue in this ratesetting proceeding. This is noteworthy because it was Cal Advocates in Rulemaking (R.) 17-06-024 that called for the Class A water utilities to use a sales forecasting model that specifically considered “changes in customer counts” in ratesetting proceedings – the approach ultimately adopted by the Commission in D.20-08-047.³⁰ While certainly the Cal Advocates witness³¹ on customer forecasts in this proceeding was not involved in R.17-06-024, no explanation was provided for failing to use the approach advocated

²⁷ Exhibit CA-1, p. 3-1.

²⁸ Exhibit CA-1, Chapter 3, pp. 3-4 to 3-9.

²⁹ *Id.*, at p. 3-4, fn. 38.

³⁰ *See*, D.20-08-047, at p. 37.

³¹ The qualifications of Cal Advocates’ witness (Chris Ronco) are provided in Exhibit CA-1, in Attachment 1-1. The listed qualifications do not include any prior experience or expertise relevant to customer forecasts in general rate cases.

by his own organization in R.17-06-024 to promote ratesetting accuracy. Cal Advocates’ choice not to include the requirements of D.20-08-047 produced a result that is neither just nor reasonable.

In summary, Great Oaks complied with the Minimum Data Requirements of D.07-05-062, applied the approach advocated by Cal Advocates in R.17-06-024 and adopted by the Commission in D.20-08-047, and utilized a calculation methodology that is just and reasonable. In contrast, Cal Advocates’ witness applied a simplistic and incomplete analysis that failed to include the new D.20-08-047 requirements. Great Oaks made every effort to accurately forecast the number of customers in each customer class in this general rate case. Cal Advocates did not. On the question of what is “just and reasonable” as it pertains to the customer forecast (and the method used to calculate the customer forecast), the evidence is overwhelmingly in favor of Great Oaks’ approach and customer forecast. Great Oaks respectfully requests that its customer forecasts for each customer class be accepted and adopted for Test Year 2022/2023.

2. Water Sales Forecast.

Great Oaks and Cal Advocates have already reached agreement and have stipulated to the average annual usages (ccfs) per customer class³² The only missing ingredient to complete the water sales forecast was the number of customers in each customer class for Test Year 2022/2023. Now that the customer forecast has been addressed, the water sales forecast may now be finalized.

Using Great Oaks’ proposed customer counts for each customer class addressed immediately above, water sales for each customer class, total water sales for Test Year 2022/2023, and total water production (including “unaccounted for water”) are shown in the table below.

Water Sales and Water Production – Test Year 2022/2023

Customer Class	Customer Counts	Annual Water Usage (ccfs)	Totals
SFR	20,055	103.17	2,069,074
MFR	648	1,358.22	880,127

³² Joint Statement, Stipulations – Water Sales Forecast, Customers, Rate Design, Stipulation 1. A.21-07-001 Great Oaks Water Company’s Opening Brief

Business	317	1,101.23	349,090
Industrial	57	1,261.26	71,892
Pub. Auth.	147	1,230.18	180,836
Schools	44	2,915.07	128,263
Priv. Ldscpe.	242	984.63	238,280
Agriculture	8	181.02	1,448
Total	21,518		3,919,010
Unaccounted for Water Percentage		7.00% ³³	294,979
Total Water Production (ccfs)			4,213,989
Total Water Production (Acre-Feet)			9,674

As the annual water usage per customer class is already the subject of an agreement and stipulation between Great Oaks and Cal Advocates,³⁴ and because the customer forecast for each customer class proposed by Great Oaks is just and reasonable (and more accurate), Great Oaks requests that its water sales and production projections for Test Year 2022/2023 be found just and reasonable and adopted by the Commission.

3. Operations & Maintenance Expenses – Account 700 Groundwater Charges.

All water served by Great Oaks to its customers is produced by Great Oaks' own groundwater wells. Groundwater charges are levied by the Santa Clara Valley Water District (SCVWD or Valley Water) against the groundwater produced by Great Oaks from its own wells located on its own properties.³⁵ Groundwater charges paid by Great Oaks to Valley Water represent the single largest cost incurred by Great Oaks every year.³⁶

Great Oaks has groundwater wells in two different Valley Water groundwater charge zones – Zone W-2 and Zone W-7. The vast majority of Great Oaks' total water production capacity is located in Zone W-2 where Great Oaks has fifteen (15) groundwater wells. Great Oaks has five (5) groundwater wells located in Zone W-7.

³³ See Exhibit GOWC-2, at WP3 – Water Sales CCF (Cell K45); Exhibit GOWC-6, at WP3 – Water Sales (Cell K45); Exhibit CA-2, at WP3 – Water Sales (Cell K45). Great Oaks' proposed unaccounted for water percentage was not challenged by Cal Advocates.

³⁴ Joint Statement, Stipulations – Water Sales Forecast, Customers, Rate Design, Stipulation 1.

³⁵ Application 21-07-001, at p. 4; *see also* Exhibit GOWC-1, Chapter 5, p. 34.

³⁶ *Id.*; *see also* Exhibit GOWC-5, at p. 22; Exhibit CA-1, at p. 5-2, fn. 98.

The groundwater charge in Zone W-2 is significantly higher than the groundwater charge in Zone W-7.³⁷ For example, for the current Rate Year 2021/2022, the groundwater charge in Zone W-2 is \$1,499.00 per Acre-Foot (AF) and the groundwater charge in Zone W-7 is \$528.50 per AF. Actual and projected groundwater charges for both Zones are shown in the table below.

Valley Water Groundwater Charges Actual and Projected (\$/AF)³⁸

Rate Year	Zone W-2	Zone W-7
2021/2022	\$1,499.00	\$528.50
2022/2023	\$1,650.00	\$585.00
2023/2024	\$1,809.00	\$645.00
2024/2025	\$1,983.00	\$712.00

The Account 700 Groundwater Charges for this general rate case are based upon two factors: (1) the groundwater charges levied by Valley Water in Zones W-2 and W-7; and (2) the percentages of total water production in Zones W-2 and W-7 (the Zone W-2/Zone W-7 production ratio). In this proceeding, the issue to be decided that will establish the amount of Account 700 Groundwater Charges to be factored into rates is the Zone W-2/Zone W-7 production ratio.

Great Oaks produces as much water as is feasible, given local groundwater conditions and well production capacities, from its Zone W-7 wells to reduce the amount of groundwater charges incurred and to keep rates low.³⁹ In fact, during the January 31, 2022 evidentiary hearing, the following exchange took place during the cross-examination of Great Oaks' Chief Executive Officer John Roeder:

Q. And you'll agree previously that – you agree that you would pump as much as you could from the W-7 zone. Is that right?

A. Well, we basically try to pump as much as possible from the W-7 zone.

Q. And the affect [sic] of that would be to keep the rates as low as possible for the ratepayers?

³⁷ See also, Transcript, at p. 37, lines 5 – 9.

³⁸ Exhibit GOWC-5, at p. 23; see also Great Oaks Water Company Advice Letter 300-W-A (for groundwater charges levied effective July 1, 2021).

³⁹ Exhibit GOWC-1, Chapter 5, p. 36.

A. Yes.⁴⁰

So, quite clearly, Great Oaks makes every effort to reduce the Account 700 Groundwater Charges to keep rates low when making the operational decisions on when and where to pump groundwater from its wells. There is no evidence to support any other conclusion, supposition, or argument.

The only genuine issue about the Account 700 Groundwater Charges is the amount of water Great Oaks can feasibly produce from its Zone W-7 groundwater wells. Great Oaks has proposed that it can and will produce 44% of its total water production from its Zone W-7 wells and 56% of its total water production from its Zone W-2 wells over the three-year period covered by this general rate case application. This is the same Zone W-2/Zone W-7 groundwater production ratio that was adopted for the current rate structure in D.19-09-010.⁴¹

In support of its proposal to maintain the existing Zone production ratio, Great Oaks presented evidence that in Rate Year 2019/2020, the actual Zone W-2/Zone W-7 production ration nearly equaled the 56% Zone W-2/44% Zone W-7 production ratio adopted in D.19-09-010, with 55.3% of total water production coming from its Zone W-2 wells and 44.7% of total water production coming from its Zone W-7 wells.⁴²

Great Oaks also presented evidence that the groundwater production from its Zone W-7 wells cannot produce and sustain greater water production due to the geologic soil conditions in Zone W-7 that causes well production to consistently decline, often at increasing rates of decline.⁴³ Great Oaks provided evidence that water production from its Zone W-7 wells has been declining for years.⁴⁴ Great Oaks

⁴⁰ Transcript, at p. 38, line 26 through p. 39, line 10. The questions were asked by Attorney Corwin Hockema for Cal Advocates and the answers were provided by Mr. Roeder.

⁴¹ D.19-09-010, p. 9; see also, Attachment 1 to D.19-09-010, Settlement Agreement, at pp. 9 – 12, and Exhibit GOWC-1, Chapter 5, at pp. 34 – 36.

⁴² Exhibit GOWC-5, p. 25.

⁴³ Exhibit GOWC-5, at p. 27; Rebuttal Table 15, Zone W-7 Well Production; *see also*, Transcript, at p. 40, line 28 through p. 41, line 10; *see also* Transcript, p. 41, line 22 through p. 42, line 2.

⁴⁴ Exhibit GOWC-1, Chapter 7, p. 5.

also stated: “In response to both the declining production in Zone W-7 and the impending shutdown of the Anderson Reservoir (and the corresponding reduction of groundwater recharge from Anderson Reservoir), in 2020 Great Oaks commenced the development of Well 24A. Well 24A was completed in late 2020 and placed into service in early 2021.”⁴⁵ Relevant to the issue of Account 700 Groundwater Charges and the addition of Well 24A, Great Oaks specifically stated:

Well 24A also helps to address the ever-increasing groundwater charges levied by Valley Water by allowing Great Oaks to maintain the current W-2/W-7 pumping ratio adopted in D.19-09-010. In D.19-09-010, it was agreed that Great Oaks would produce 56% of its water supplies from Zone W-2 and 44% from Zone W-7. Without Well 24A, Great Oaks would not be able to continue to produce 44% of its water from Zone W-7 due to declining production from the existing Zone W-7 wells and the declining groundwater levels due in Zone W-7.⁴⁶

Cal Advocates not only understood Great Oaks’ rationale for the addition of new Well 24A, but also agreed that the Well 24A plant-in-service additions were just and reasonable and should be added to Great Oaks’ rate base effective July 1, 2022.⁴⁷ However, when addressing the issue of Account 700 Groundwater Charges, Cal Advocates took an entirely different approach that conflicts with its agreement on Well 24A and fails to consider the continuing declining production from Great Oaks’ Zone W-7 wells.

Cal Advocates’ approach to Account 700 Groundwater Charges was to perform a simplistic analysis of water production that failed to consider the evidence provided by Great Oaks of the declining production from Zone W-7 wells.⁴⁸ On the single-largest cost issue in this general rate case, Cal Advocates’ testimony on Account 700 Groundwater Charges is provided in less than two (2) pages. The decision of Cal Advocates not to consider all evidence relevant to this issue is indirect

⁴⁵ *Id.*

⁴⁶ *Id.*, at p. 6.

⁴⁷ Joint Statement – Stipulations – Rate Base, Stipulation 2.

⁴⁸ Exhibit CA-1, at pp. 5-2 to 5-3.

evidence that Cal Advocates’ approach to the Account 700 Groundwater Charges issue is neither just nor reasonable.

To prepare testimony on this issue, Cal Advocates issued a data request to Great Oaks information on the amount of water produced by all of Great Oaks’ wells.⁴⁹ Great Oaks provided all of the data requested, including the amounts of water produced by Great Oaks’ wells located in Zone W-7.⁵⁰ The data provided by Great Oaks on Zone W-7 well production (that was unintentionally omitted from Cal Advocates’ Exhibit CA-1⁵¹) is reproduced in the table below.

Zone W-7 Well Production (AF/Year)

Well	Rate Year 2016/2017	Rate Year 2017/2018	Rate Year 2018/2019	Rate Year 2019/2020	Rate Year 2020/2021	Production Decline 5 Years
22	247.024	205.739	183.276	178.809	165.289	-33%
23	1,496.444	1,581.808	1,386.158	1,336.813	1,255.048	-16%
23A	2,341.580	2,158.963	1,697.936	1,547.712	1,310.130	-44%
24	2,133.430	2,114.310	1,875.950	1,787.360	2,014.130	-6%
24A	NA	NA	NA	NA	745.450	NA

Even though Great Oaks provided this data to Cal Advocates, no mention of the declining production of Zone W-7 wells was included in Cal Advocates’ brief testimony on Account 700 Groundwater Charges.⁵² Remarkably, at the evidentiary hearing on this one issue, Cal Advocates’ witness acknowledged that he had not even considered the data provided by Great Oaks on the declining production from its Zone W-7 wells:

Q. Can you confirm with respect to the well production from Well No. 22 during the five-year period the data was

⁴⁹ Exhibit CA-1, Attachment 21.

⁵⁰ *Id.* Note: The data request sought information on Zone W-5 wells. The Santa Clara Valley Water District recently changed the Zone designation from W-5 to W-7. The wells are the same. *See, e.g.*, Transcript, p. 48, lines 8 – 15.

⁵¹ Transcript, p. 54, lines 10 – 19.

⁵² Exhibit CA-1, pp. 5-2 to 5-3.

provided, can you confirm that the production in Well 22 declined from 247.024 in rate year '16, '17 all the way down to 165.289 in rate year 20/21?

A. I'm pulling up the data request data here. I don't have the data sorted by specific wells, just the total wells by zone.

Q. Mr. Keowen, Great Oaks did provide to you the well production by individual well and by zone, isn't that correct?

A. Correct.

Q. And are you saying you do not have that data available to you right now?

A. No. What I'm saying is in my testimony I did not break down the amounts by the specific wells. I only broke it down by well zone, so it looks like there's Well 22, 23, 23-A, 24, 24-A, in Zone W-7. The percentages I present in my testimony are the total from those wells.

Q. You indicated the production in Well 22 declined during that five-year period by 33 percent. Do you have any information different from that?

A. I haven't analyzed the data in that manner.

Q. Likewise, the production in Well 23 went down 16 percent during that period of time. Do you have any reason to dispute that?

A. I don't have any reason to agree or disagree.

Q. The data was provided to you however; correct?

A. Again, I haven't analyzed it in that manner.⁵³

Therefore, with respect to Cal Advocates' testimony on this issue, there is and can be no debate that Cal Advocates was fully aware of Great Oaks' evidence of declining production in its Zone W-7 wells over the preceding five-year period and Cal Advocates failed to consider that evidence. This was not a proper method of analysis or calculation on the part of Cal Advocates.⁵⁴ The simplistic analysis performed by Cal Advocates on this issue was flawed and incomplete and failed to

⁵³ Transcript, p. 54, line 23 to p. 56, line 5.

⁵⁴ Scoping Memo Issue d.

consider the undisputed evidence that the continuing declining production from Great Oaks' Zone W-7 wells does not support Cal Advocates' recommended Zone W-2/Zone W-7 production ratio.

It appears that Cal Advocates was making an effort at the January 31, 2022 evidentiary hearing to suggest that Great Oaks was not using its full Zone W-7 pumping capacity. This effort, however, failed and instead confirmed the validity of Great Oaks' methodology and requested Zone production percentages. On several occasions, it seemed that counsel for Cal Advocates was trying to suggest that Great Oaks was in some way limiting its Zone W-7 production, and each time Mr. Roeder refuted that suggestion. The following examples show Cal Advocates' strategy.

Q. And these are – for these reasons you are limiting the amount you pump from these wells and the cheaper W-7 zone; correct?

A. I'm not sure I understand. You are asking what the reason is that we pump from wells in W-7 zone?

Q. So the question, I guess, is why wouldn't you pump more water from the cheaper W-7 zone?

A. Because we only have so much capacity. We can't – we can't pump any more than the pumps can pump.⁵⁵

Q. When you pump water from wells in W-7, do you constantly run the pumps or are they set on like a timer to run a certain amount of time per day? How does that work?

A. Most of the wells in W-7 are set to run 24 hours a day. I should say that they all run 24 hours a day other than times that we have them down for any particular reason like replacing a motor or sounding the well or – that's testing the water level in the wells.

Occasionally we turn the wells off to let the groundwater levels come up to get a reading of the static water level and not just the pumping water level. But most of the time they're running 24 hours.⁵⁶

⁵⁵ Transcript, p. 38, lines 13 – 25.

⁵⁶ Transcript, p. 42, lines 4 – 19.

Q. I thought I'd go back to a previous question about the pumps in Zone W-7 not running all the time.

Is there a reason why you couldn't just have the pumps essentially run all the time and get as much cheaper water into the tanks as possible?

A. I think maybe there's a misunderstanding. I thought I explained that we do run the pumps all the time in W-7, and we only have them turned off on occasion to test water levels or if there are maintenance work to be done or occasionally we would have to replace a pump or replace a motor or replace a [line] shaft or something.

Sometimes that can take up to two months. But over the past three years, I don't think we've had any significant downtime, maybe just a couple of days here or there.⁵⁷

Q. Why couldn't you simply transfer – if the tank is full – transfer that water to a different tank and keep the pumps pumping water instead of waiting for the tank level to drop?

A. I don't even really understand what you're talking about. We have tanks – we have three tanks that all operate at the same pressure zone. There are no other tanks to transfer water to, and I don't think that would accomplish anything. So I think you must have something in mind that I'm not understanding.

Q. Yeah. I – maybe you can help me understand. I'm wondering if there's – well, why the reason is – why we can't get more water from the cheaper zone and have that water in storage and, you know, decrease the amount of the – the water being pulled from the more expensive zone.

Is the loading factor the amount of storage?

A. No. Storage is not important here. I think twice I've explained that we produce all of the water that we can from the W-7 zone, and all of those wells run 24 hours a day.⁵⁸

⁵⁷ Transcript, p. 46, lines 3 – 22.

⁵⁸ Transcript, p. 46, line 27 through p. 47, line 25.

These excerpts from the evidentiary hearing demonstrate that Cal Advocates’ notion that Great Oaks is not utilizing its full Zone W-7 production capacity is without merit.

Cal Advocates also appeared to be suggesting that Great Oaks could simply produce more water from Zone W-7 and store that water in various tanks when the water is not needed to meet customer demand. But Mr. Roeder put this entire idea aside by confirming that Great Oaks’ Zone W-7 wells are constantly running 24 hours-a-day, every day, except for the short periods of time when the wells are being serviced and groundwater levels are being tested.

The evidence confirms that Great Oaks cannot produce more water from its Zone W-7 wells than it does, and that the amount of water produced from the Zone W-7 wells is constantly declining due to the Zone W-7 geologic conditions. The evidence also confirms that Cal Advocates did not consider the declining Zone W-7 water production even though Cal Advocates requested and received data from Great Oaks showing the declining production.

When all evidence is fully considered, Great Oaks’ request to maintain the Zone W-2/Zone W-7 production ratio at 56% Zone W-2 and 44% Zone W-7 is based upon appropriate calculation methods and is just and reasonable. Great Oaks requests that its proposed Account 700 Groundwater Charges expense for Test Year 2022/2023 be based upon its proposed Zone W-2/Zone W-7 production ratio.

When that ratio is used and applied to the total water production discussed in Issue 2 (Water Sales Forecast), above, the Account 700 Groundwater Charges for Test Year 2022/2023 shown in the table below should be found just and reasonable and adopted in this proceeding.

Account 700 Groundwater Charges for Test Year 2022/2023

Zone W-2	Production (AF)	GW Charge - \$/AF ⁵⁹	Total Expense
Non-Agricultural	5,415.58	\$1,650.00	\$8,935,707
Agricultural	1.86	\$29.00	54
Total Zone W-2 (56%)	5,417.44		\$8,935,761
Zone W-7			
Non-Agricultural	4,255.10	\$585.00	\$2,489,234

⁵⁹ Exhibit GOWC-6, WP14, Column K.
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Agricultural	1.46	\$29.00	42
Total Zone W-2 (44%)	4,256.56		\$2,489,275
Total Account 700 Groundwater Charges	9,674		\$11,425,036⁶⁰

4. Operations & Maintenance Expenses – Account 726 Purchased Power Expense. The differences between Great Oaks and Cal Advocates on the issue of Account 726 Purchased Power Expense is summarized in the table below. For purposes of this comparison, Great Oaks is using the same Test Year 2022/2023 water production total of 9,674 AF requested in the Water Sales Forecast and used for the discussion of Account 700 Groundwater Charge expenses.

Comparison – Account 726 Purchased Power Expense – Test Year 2022/2023

Category	Great Oaks ⁶¹	Cal Advocates ⁶²
Total KWH	4,836,994	4,034,058
KWH/AF	500	417
KWH/CCF	1.15	0.96
Wells KWH/CCF	1.05	0.96
Booster KWH/CCF	0.10	0.08
Purchased Power \$/KWH	\$0.22495	\$0.22495
Total Account 726 Purchased Power Expense	\$1,088,082	\$907,461

The essential difference between Great Oaks and Cal Advocates on this issue is the value for KWH/AF, with Great Oaks requesting 500 KWH/AF and Cal Advocates recommending 417 KWH/AF. Great Oaks’ request is based upon the water supply conditions it is and will be facing due to reduced groundwater recharge by Valley Water because of the combination of two significant factors: (1) Anderson Reservoir, the primary source of water for groundwater recharge in the area where Great Oaks’ wells are located, has been drained and is out of service for the next ten years while a new dam is constructed, which will result in less groundwater recharge

⁶⁰ See GRC Workpapers – GRC Brief, WP14, Column K.

⁶¹ Exhibit GOWC-6, WP9, Column K.

⁶² Exhibit CA-2, WP9, Column K, with Total KWH adjusted to match total AF water production.

and lower groundwater levels; and (2) lower groundwater levels resulting from the continuing drought conditions.⁶³ Lower groundwater levels mean that more power is required to pump groundwater, with resultingly higher purchased power costs.⁶⁴

In much the same way that Cal Advocates did not consider the evidence about local conditions on the issues of customer forecasts and groundwater charges, Cal Advocates also did not consider the evidence that lower groundwater levels due to the Anderson Dam project and drought conditions will drive purchased power costs up. At no point in its testimony did the Cal Advocates witness mention the local conditions that will increase purchased power costs.⁶⁵

Public water systems, like Great Oaks, cannot avoid the realities of the conditions that affect operations and costs. Not considering these realities would be irresponsible and would result in monetary losses that risk the financial health of the utility. Great Oaks has considered the local conditions directly affecting the projected Account 726 Purchased Power Costs.

In sharp contrast to Great Oaks' realistic approach to projecting purchased power costs for Test Year 2022/2023, Cal Advocates applied the same kind of simplistic and incomplete analysis that did not consider or even recognize the local conditions that directly affect the outcome.⁶⁶ This may be the result of Cal Advocates' witness lack of experience with such issues.⁶⁷ The insufficient qualifications of Cal Advocates' witness on this (and other) issues is likely the reason Cal Advocates' recommended Test Year 2022/2023 purchased power costs are flawed and incomplete and must be rejected. The fact that the Cal Advocates witness did not even take note of or otherwise mention the local conditions affecting the Test Year 2022/2023 purchased power expense projection is clear proof that Cal

⁶³ Exhibit GOWC-5, pp. 28 – 29.

⁶⁴ *Id.*

⁶⁵ See Exhibit CA-1, pp. 5-3 to 5-4.

⁶⁶ *Id.*

⁶⁷ The only other alternative is that the Cal Advocates witness intentionally ignored the evidence presented by Great Oaks.

Advocates’ simplistic analysis is not a just and reasonable calculation method for Account 726 Purchased Power Expenses.⁶⁸

Because Great Oaks considered all relevant factors affecting the Test Year 2022/2023 Account 726 Purchased Power Expense and presented a just and reasonable basis for its expense projection, while Cal Advocates did neither, Great Oaks requests that its proposed Account 726 Purchased Power Expenses of \$1,088,082 be accepted and adopted.

5. Operations & Maintenance Expenses – Account 773 Customer Records and Collections. The table below shows the differences between Great Oaks and Cal Advocates on projected Test Year 2022/2023 Account 773 expenses.

**Comparison – Account 773 Customer Records and Collections Expenses
Test Year 2022/2023**

Account	Great Oaks	Cal Advocates
773 Customer Records and Collections	\$240,628	\$185,670

Account 773 expenses include “the cost of labor and of materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.”⁶⁹ Included in Account 773 costs are the fees paid by Great Oaks for credit card and other electronic payments made under the Credit Card Pilot Program authorized by Public Utilities Code §755.5 and approved as part of the settlement of Great Oaks’ 2018 general rate case in D.19-09-010. The costs of the Credit Card Pilot Program represent the difference between Great Oaks’ and Cal Advocates’ positions on this issue.

The Credit Card Pilot Program was established through Great Oaks’ 2018 general rate case and D.19-09-010.⁷⁰ The projected costs of establishing the Pilot Program were \$51,976 for Test Year 2019/2020. Originally these costs were to be

⁶⁸ Scoping Memo Issue d.

⁶⁹ Water Standard Practice U-38-W, Uniform System of Accounts for Class A Water Utilities, at p. A127.

⁷⁰ D.19-09-010, Settlement Agreement, pp. 38 -39.

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recorded and tracked in Account 798 Outside Services but utilizing Account 798 was a mutual mistake made by Great Oaks and Cal Advocates, as Account 773 is the correct account for costs associated with credit card and electronic payment processing.⁷¹ Great Oaks has recorded its costs of the Pilot Program in Account 773 from its inception.⁷² Great Oaks does not also include costs of the Pilot Program in Account 798, so there is no issue of so-called “double-counting.”

In its 2018 general rate case application, Great Oaks requested a Credit Card Pilot Program Balancing Account, but at the insistence of Cal Advocates, this was changed to a Credit Card Pilot Program Memorandum Account, with an annual credit to be applied to the Memorandum Account in the amount of \$51,976. Great Oaks has complied with all aspects of this agreement and has requested that the Credit Card Pilot Program Memorandum Account be updated with the Test Year 2022/2023 projected costs of the Pilot Program replacing the outdated Pilot Program costs of Rate Year 2019/2020.⁷³ Projected costs of the Pilot Program for Test Year 2022/2023 are \$76,338.04.⁷⁴

It is unclear why Cal Advocates is challenging the projected Account 773 Test Year expenses, as Cal Advocates agreed to and supported the establishment of the Credit Card Pilot Program and its associated Memorandum Account. Cal Advocates’ testimony does not mention that the Credit Card Pilot Program costs are included in Account 773 and that error may be the reason for Cal Advocates’ position on this issue.

Cal Advocates’ testimony also misstates the facts as to Account 773. Cal Advocates states that “Recorded data for the expense shows it does not have a clear increasing or decreasing trend and fluctuates from year to year.”⁷⁵ However, the actual expenses in Account 773 have increased every year since Rate Year 2017/2018, going from \$146,366 in Rate Year 2017/2018 to \$233,580 in Rate Year 2020/2021.⁷⁶

⁷¹ Great Oaks does not believe there is a dispute over whether the Pilot Program costs should be recorded in Account 773. If Cal Advocates believes differently, it should disclose this belief and provide support for its position.

⁷² See, e.g., Exhibit GOWC-2, WP

⁷³ Exhibit GOWC-1, Chapter 5, pp. 36 – 37 and Exhibit 5-5 thereto.

⁷⁴ *Id.*, Chapter 5, p. 37.

⁷⁵ Exhibit CA-1, p. 5-5.

⁷⁶ Exhibit GOWC-6, WP4, Cells D35, E35, F35, and I35.

Cal Advocates recommended Account 773 expenses of \$185,670 fail to consider that the Credit Card Pilot Program have been recorded in Account 773 since Rate Year 2019/2020. Recorded costs in Account 773 were \$229,943 and \$233,580 in Rate Years 2019/2020 and 2020/2021, respectively.⁷⁷ Cal Advocates' calculation method was flawed, as Cal Advocates simply averaged five years of Account 773 expenses without recognizing that the last two rate years included a significant new expense (the Pilot Program expense) that was not included in the first three years.⁷⁸ Cal Advocates' method was (again) flawed and incomplete and should be rejected.

Great Oaks' calculation method that includes the Credit Card Pilot Program costs is just and reasonable and Great Oaks' projected Test Year 2022/2023 Account 773 expenses should be adopted.

a. Great Oaks' request to update the terms of the Credit Card Pilot Program Memorandum Account should also be approved. A copy of the proposed updates to the Memorandum Account was provided with Great Oaks' general rate case application is attached to this brief as Exhibit 5-5 (now Exhibit GOWC-1 Exhibit 5-5), and a copy of that Exhibit is attached to this Brief for easy reference. The updated terms and conditions merely incorporate the Credit Card Pilot Program expense for each rate year into the formula to track and ultimately recover the difference between Pilot Program expenses in rates and the actual costs incurred in each rate year for the Pilot Program. Great Oaks also believes that it is appropriate to include a provision in the Credit Card Pilot Program Memorandum Account indicating that any recovery or refund when amortizing the balance in the Memorandum Account should not apply to customers participating in Great Oaks' Customer Assistance Program (CAP). Cal Advocates recommends that CAP customers not be subject to the costs of the Pilot Program and this modification of the terms of the Memorandum Account is consistent with Cal Advocates recommendation.⁷⁹

6. Administrative & General Expenses – Net Payroll Expense. The only remaining issues with respect to Net Payroll Expense for Test Year 2022/2023 are due to Cal

⁷⁷ Exhibit GOWC-6, WP4, Cells F35 and I35.

⁷⁸ Exhibit CA-1, p. 5-5.

⁷⁹ Exhibit CA-1, p. 8-7.

Advocates’ challenge to two authorized, but as-yet unfilled positions: (1) Customer Service Representative; and (2) Field Services – Water Quality Specialist/Environmental Services. Each position is addressed separately below.

a. Customer Service Representative. Great Oaks had planned to hire a new Customer Service Representative at the end of 2019, but that plan was derailed by COVID-19, which forced to the closure of Great Oaks’ walk-in customer service center in early 2020.⁸⁰ Great Oaks stated: “Hiring will take place when the pandemic emergency is declared over and full customer service operations resume.”⁸¹ The need for the Customer Service Representative will return as soon as the pandemic-related conditions permit the reopening of Great Oaks’ walk-in customer service center. There is no justification for the complete elimination of this employee position.

But the complete elimination of the Customer Service Representative position is exactly what Cal Advocates recommends.⁸² The stated justification for eliminating the position is that customers should not have to fund this position in the future because the position was not filled in the past.⁸³ Again, Cal Advocates made no mention of the reason Great Oaks provided for why the Customer Service Representative position was not yet filled. This resulted in an incomplete analysis. In Great Oaks’ Rebuttal Testimony, Great Oaks stated: “In its testimony on salaries and wages, the Cal Advocates witness made no mention of the COVID-19 pandemic, which had an obvious and well-known effect on employers throughout California.”⁸⁴

As stated, Great Oaks will be working to fill the Customer Service Representative position as soon as it is permitted to safely reopen its walk-in customer service center. The need for the position did not vanish with the onset of the pandemic. Hiring was merely delayed. Great Oaks should not be “punished” for not filling a position it could not fill because of the pandemic emergency. Cal

⁸⁰ Exhibit GOWC-1, Chapter 5, p. 27.

⁸¹ *Id.*

⁸² Exhibit CA-1, p. 6-10.

⁸³ *Id.*

⁸⁴ Exhibit GOWC-5, p. 30.

Advocates knows this to be true even though Cal Advocates' witness did not consider the effects of the pandemic on the hiring of this position.

The inclusion of the payroll and benefits costs for the Customer Service Representative should remain in rates for Test Year 2022/2023. Recent events in California suggest that a return to "normal" is coming soon, although that return may be delayed somewhat in Santa Clara County, which is one of only two California counties that has maintained indoor masking requirements. Great Oaks requests that the costs of the Customer Service Representative not be removed from rates for Test Year 2022/2023 and that Cal Advocates' position on this issue be rejected.

b. Field Services – Water Quality Specialist/Environmental Services. The position of Field Services – Water Quality Specialist/Environmental Services was established and authorized by agreement between Great Oaks and Cal Advocates in Great Oaks' 2018 general rate case. More specifically, in the 2018 general rate case, Cal Advocates recommended that Great Oaks work with the State Water Resources Control Board to establish a system-wide disinfection process to be in effect by July 1, 2022, and a new employee position was authorized to address the additional work such a process requires.⁸⁵

Great Oaks has complied with the agreement to work with the State Water Board and expects to have the system-wide disinfection process in place by July 1, 2022, the first day of Test Year 2022/2023. Great Oaks has provided Cal Advocates with data request responses, including supplemental responses, showing the progress being made on this project. The employment position of Field Services – Water Quality Specialist/ Environmental Services has not yet been filled because Great Oaks is presently waiting on the State Water Board to approve its permit amendment request that will allow Great Oaks to have the system-wide disinfection process fully activated.

Great Oaks provided all of this information to Cal Advocates, yet Cal Advocates did not consider these facts in its testimony. In fact, with respect to this

⁸⁵ D.19-09-010, Settlement Agreement, pp. 8 – 9, 47 – 48.
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employment position, Great Oaks stated: “This is a position authorized in the settlement of the Company’s 2018 General Rate Case. The responsibilities of the employee are centered around addressing the water quality safety issues raised by the Public Advocates Office. Great Oaks expects to have this employee in place for the 2021/2022 rate year, as that is when Great Oaks expects to begin the implementation of the new water quality/water safety program.”⁸⁶ It should also be noted that this position and its costs are scheduled for the current rate year (2021/2022), which is not yet complete. Cal Advocates’ testimony on this issue broadly stated that ratepayers have already paid for this position in one or more rate case cycles.⁸⁷ But that is not true.

More troubling than Cal Advocates’ misleading testimony about this employee position is that Cal Advocates’ recommendation to eliminate this position is in direct conflict with the 2018 general rate case settlement agreement between Great Oaks and Cal Advocates. In the 2018 general rate case, it was Cal Advocates that recommended the system-wide disinfection process. Great Oaks agreed to conduct the work necessary to implement the process by July 1, 2022, and Great Oaks has fully complied with the agreement. The Field Services – Water Quality Specialist/Environmental Services position was part of the agreement and is a necessary component of the process, which requires significant additional field work for sampling, testing, chemical handling, maintenance of the disinfection system, and more. To remove an essential component of the system-wide disinfection process – the employee required to perform new duties arising from Cal Advocates’ recommended project – would be a direct breach and violation of the settlement agreement and materially hinder Great Oaks’ maintenance of the new treated-water system.

But, for reasons that remain unexplained, Cal Advocates made no mention at all the evidence presented by Great Oaks or the 2018 general rate case settlement

⁸⁶ Exhibit GOWC-1, Chapter 5, p. 21.

⁸⁷ Exhibit CA-1, p. 6-10.

agreement when addressing this employment position.⁸⁸ Cal Advocates should abide by the terms of the 2018 settlement agreement and Cal Advocates’ recommendation to eliminate the Field Services – Water Quality Specialist/Environmental Services position must be rejected in its entirety. The employee is certainly needed, especially to address the additional work required for system-wide disinfection.

c. Summary – Net Payroll Expense. Great Oaks requests that its net payroll expense, including the Customer Service Representative and Field Services – Water Quality Specialist/Environmental Services positions be accepted. The total net payroll expense with all positions for Test Year 2022/2023 is \$2,710,517.⁸⁹

7. Administrative & General Expenses – Account 793 Insurance Expenses.

The difference between Great Oaks and Cal Advocates on Test Year 2022/2023 Account 793 Insurance Expense is shown in the table below.

Comparison – Account 793 Insurance Expenses – Test Year 2022/2023

Account	Great Oaks	Cal Advocates
793 Insurance Expenses	\$124,651	\$108,446

Great Oaks based its projected Test Year 2022/2023 Account 793 Insurance Expense projection on information provided from its insurance agent/broker.⁹⁰ In Great Oaks’ Rebuttal Testimony, Great Oaks stated: “Great Oaks has reviewed the information it has received from its insurance agents and brokers upon which Great Oaks based its projected insurance costs for rate year 2021/2022, Test Year 2022/2023, Escalation Year 2023/2024, and Attrition Year 2024/2025, and all projected increases and estimates have been confirmed.”⁹¹

Again, by way of sharp contrast, Cal Advocates’ witness inaccurately described Great Oaks’ methodology as “applying a blanket 10% escalation factor to

⁸⁸ *Id.*

⁸⁹ See GRC Workpapers – GRC Brief, WP8, Cell K43.

⁹⁰ Exhibit GOWC-5, p. 42.

⁹¹ *Id.*

the adopted 2021/2022 costs.”⁹² That, of course, was not how Great Oaks provided its projected Account 793 expenses, a fact proven by the attachment cited by Cal Advocates’ witness for her inaccurate portrayal of Great Oaks’ testimony.

In Attachment 25 to Exhibit CA-1, Great Oaks responded to a data request from Cal Advocates about Administrative & General Expenses projected for Test Year 2022/2023. Contrary to the testimony of Cal Advocates’ witness, the information provided by Great Oaks explained that its projected insurance expenses were “based on Great Oaks’ insurance broker’s access to insurance carrier’s future pricing estimates.”⁹³ In other words, Great Oaks’ Test Year 2022/2023 Account 793 expense projection was provided by insurance professionals who certainly know more about insurance costs than Cal Advocates’ witness whose qualifications include no knowledge whatsoever about insurance or its costs.⁹⁴

Using estimates from insurance professionals is not the same as “applying a blanket 10% escalation factor” as Cal Advocates’ witness represented. Great Oaks does not know why Cal Advocates’ witness inaccurately represented the basis for Great Oaks’ Account 793 Test Year projected expenses in her testimony; Great Oaks only knows that Cal Advocates’ witness did not accurately describe Great Oaks’ methodology.

Using estimates from an insurance professional is a just and reasonable method to project insurance costs for Test Year 2022/2023.⁹⁵ Failing to consider the input from an insurance professional and applying a simplistic five-year average for insurance costs is not a just and reasonable methodology.

Cal Advocates’ methodology is flawed and incomplete, as it failed to consider and accurately represent the basis for Great Oaks’ projection. Great Oaks’ methodology for projecting Account 793 expenses for Test Year 2022/2023 is sound, just, and reasonable and should be accepted.

⁹² Exhibit CA-1, p. 7-11.

⁹³ Exhibit CA-1, Attachment 25-7.

⁹⁴ Exhibit CA-1, Attachment 3-1.

⁹⁵ Scoping Memo Issue d.

8. Administrative & General Expenses – Account 794 Injuries and Damages.

The table below shows the differences between Great Oaks and Cal Advocates on Test Year 2022/2023 Account 794 expenses.

Comparison – Account 794 Injuries and Damages – Test Year 2022/2023

Account	Great Oaks	Cal Advocates
794 Injuries and Damages	\$61,240	\$47,049

The same flawed and incomplete analysis disqualifying Cal Advocates' position on Account 793 Test Year insurance expenses was applied by Cal Advocates on the issue of Account 794 Injuries and Damages expenses. Contrary to Cal Advocates' assertion, Great Oaks' estimates for Test Year 2022/2023 Account 794 expenses were not the result of "applying a blanket 10% escalation factor," but were instead the result of applying a 3.9% escalation factor to recorded Account 794 expenses.⁹⁶ Cal Advocates' characterization of Great Oaks' methodology was not accurate.

Moreover, Cal Advocates' recommended amount of Account 794 expenses for Test Year 2022/2023 (\$47,049) is substantially less (20.5% less) than the *recorded* Account 794 expenses in Rate Year 2020/2021 (\$56,729).⁹⁷ This fact alone should have alerted the Cal Advocates' witness of the error in the chosen methodology, but apparently it did not.

Using simplistic and incomplete analyses for nearly all issues was Cal Advocates' chosen methodology throughout this proceeding. Failing to consider evidence presented appears to have been the norm for Cal Advocates. There is nothing just or reasonable about a methodology that deliberately fails to consider evidence and clear errors, such as failing to recognize rising costs in an economy that is experiencing across-the-board inflation at a 40-year high. Cal Advocates' recommendation to cut Account 794 expenses by more than twenty percent (20%) for Test Year 2022/2023 as compared to recorded Rate Year 2020/2021 expenses is not a rationale method or a just and reasonable outcome. Great Oaks' use of a normal

⁹⁶ Exhibit GOWC-2, WP6, Cell K15; Exhibit GOWC-6, WP6, Cell K15.

⁹⁷ Exhibit GOWC-6, WP6, Cell I15.

escalation factor to estimate Test Year 2022/2023 Account 794 expenses should be accepted.

9. Administrative & General Expenses – Account 795 Employee Pension and Benefits Expenses. The table below shows the differences between Great Oaks and Cal Advocates on Test Year 2022/2023 Account 795 expenses.

**Comparison – Account 795 Employee Pension and Benefits Expenses
Test Year 2022/2023**

Account	Great Oaks	Cal Advocates
795 Employee Pension and Benefits Expenses	\$1,316,405⁹⁸	\$1,029,735

The difference between Great Oaks and Cal Advocates on Account 795 expenses are based upon Cal Advocates’ recommended elimination of two employee positions (addressed in section II.A.6 Net Payroll Expense, above) and Cal Advocates’ opposition to Great Oaks’ proposed employee safety program. As Great Oaks has already addressed Cal Advocates’ recommended elimination of two employee positions, this section only addresses Cal Advocates’ opposition to the safety program for Great Oaks’ employees.

Great Oaks has proposed an Injury and Accident Prevention/Corrective Exercise Program for its employees at a cost of \$60,000 per year, beginning with Test Year 2022/2023.⁹⁹ The stated purpose of the safety program is “to address the physical condition of Great Oaks’ employees and utilize corrective exercise techniques and methodologies in order to better prepare employees to avoid injuries and accidents.”¹⁰⁰ Great Oaks also provided the following information about the program:

Under the direct supervision and guidance from a Certified Corrective Exercise (CE) Specialist, each Great Oaks Water Company employee will receive a complete evaluation to understand individual needs and physical

⁹⁸ See GRC Workpapers – GRC Brief, WP7, Cell R55, WP42, Cell E41.

⁹⁹ Exhibit GOWC-1, Chapter 5, p. 34 and Exhibit 5-3 thereto; see also Exhibit GOWC-2, WP7, Cell R44 and Exhibit GOWC-6, WP7, Cell R44.

¹⁰⁰ Exhibit GOWC-1, Chapter 5, p. 34.

limitations with respect to the physical demands of their job duties.

The initial evaluation will then be utilized by the CE Specialist to design and implement a program tailored to each employee to avoid accidents and injuries from the workplace environment.¹⁰¹

Once again, Cal Advocates' position on this issue is based, not upon the evidence presented, but upon the witness' own opinion that failed to consider that evidence. The Cal Advocates witness says this safety program "appears to only be applicable to exercise routines and not workplace safety."¹⁰²

To reach this faulty conclusion, the Cal Advocates witness had to avoid the information requested and received from Great Oaks about the program. To further clarify the specific purpose of the program, Great Oaks provided the following testimony from the Certified Corrective Exercise Specialist who designed the program:

The Injury and Accident Prevention/Corrective Exercise Program proposed by Great Oaks is, in fact, designed to prevent on-the-job injuries. The program is designed to address and correct anatomical dysfunction in a person's body to make the person more mobile, flexible, and stronger, thereby preventing injuries. Injuries are often caused by lack of mobility and strength in the body. Corrective exercise techniques release the tension in the muscles, elongate the muscles, and activate the muscles to increase mobility and strength.

Each employee begins the program with a consultation and fitness assessment which includes information about any health issues, including dietary issues, as well as the physical demands of the employee's job. This is followed by an individually tailored full mobility program that releases muscle tension and elongates the muscles. Specific areas of concern are targeted for regular attention and maximum benefit. The entire program is specifically intended to prevent on-the-job injuries and to improve job performance through corrective exercise techniques. Each part of the program is related to the

¹⁰¹ Exhibit GOWC-1, Exhibit 5-3.

¹⁰² Exhibit CA-1, p. 7-8.

employee's job responsibilities and reducing or relieving the employee's physical limitations related to those job responsibilities.¹⁰³

This testimony completely refutes Cal Advocates' opposition to the employee safety program. The program is specifically related to each employee's job responsibilities and is specifically intended to "prevent on-the-job injuries and to improve job performance." The characterization of the program by Cal Advocates' witness is incorrect and not supported by the evidence.

The cost of the program represents less than five percent of all Account 795 projected Test Year 2022/2023 expenses, but the potential benefits of the program are immense. Moreover, the Accident and Injury Prevention/Corrective Exercise Program is a part of Great Oaks' overall Injury and Illness Prevention Program, which is a requirement for every California employer.¹⁰⁴ On this point, Cal/OSHA states:

Your employees benefit from safety and health training through fewer work-related injuries and illnesses, and reduced stress and worry caused by exposure to hazards.

You [the employer] benefit from reduced workplace injuries and illnesses, increased productivity, lower costs, higher profits, and a more cohesive and dependable workforce.

An effective Injury and Illness Prevention Program includes training for both supervisors and employees. Training for both is required by Cal/OSHA safety orders.

You may need outside professionals to help you develop and conduct your required training program.¹⁰⁵

The proposed Injury and Accident Prevention/Corrective Exercise Program is entirely consistent with Great Oaks' commitment to the safety of its employees, as

¹⁰³ Exhibit GOWC-5, p. 37.

¹⁰⁴ California Code of Regulations, Title 8, Subchapter 7, Section 3203; *see also* Exhibit GOWC-5, p. 37.

¹⁰⁵ *See* Guide to Developing Your Workplace Injury & Illness Prevention Program, at p. 7 (https://www.dir.ca.gov/dosh/dosh_publications.iipp.pdf); *see also* Exhibit GOWC-5, p. 38.

well as with Great Oaks' Employee Safety Manual, which provides, in pertinent part:

- [Great Oaks] is firmly committed to the safety of our employees. We will do everything possible to prevent workplace accidents and we are committed to providing a safe working environment for all employees.
- Accident prevention is good business. It minimizes human suffering, promotes better working conditions for everyone, holds Great Oaks Water Company in higher regard with customers, and increases productivity.
- Management is responsible for providing the safest possible workplace for Employees. Consequently, management of Great Oaks Water Company is committed to allocating and providing all the resources needed to promote and effectively implement this safety policy.¹⁰⁶

There is nothing sensible about Cal Advocates' opposition to this employee safety program. Nothing supports Cal Advocates' conclusion that the program is merely to provide "exercise routines and not workplace safety."¹⁰⁷ In order to reach a conclusion like this, the Cal Advocates' witness clearly failed to consider the evidence presented by Great Oaks. This is not a just and reasonable methodology.¹⁰⁸

Cal Advocates' opposition to the program is unsupported by any evidence. Great Oaks' proposed Injury and Accident Prevention/Corrective Exercise Program is well-designed and cost effective and has the genuine purpose of increasing employee safety. Great Oaks requests that this \$60,000 per-year program be accepted and that Great Oaks' projected Account 795 expenses of \$1,251,302 for test Year 2022/2023 be accepted as just and reasonable.

10. Request to Modify the Terms and Conditions of Great Oaks' Authorized Pension Expense Balancing Account. Directly associated with Account 795 Employee Pension and Benefits Expenses is Great Oaks' authorized Pension Expense Balancing Account (PEBA). Great Oaks' request to modify the terms and

¹⁰⁶ Exhibit GOWC-5, p. 38.

¹⁰⁷ Exhibit CA-1, p. 7-8.

¹⁰⁸ Scoping Memo Issue d.

conditions of the PEBA would have the effect of simplifying Commission review of the PEBA and any over- or under-collections in the PEBA by better aligning the time periods and recording of authorized and actual pension plan expenses.¹⁰⁹ The proposed modifications to the PEBA were provided with Great Oaks' general rate case application as Exhibit 5-2 (now Exhibit GOWC-1 Exhibit 5-2).¹¹⁰

Better aligning authorized and actual pension plan expenses so that all such expenses are properly accounted for according to Great Oaks' July 1 to June 30 rate year, as opposed to having authorized expenses on a rate year schedule and actual expenses on a calendar year schedule makes sense from both a regulatory and a practical point of view. The proposed modification of the terms and conditions of the PEBA will ease Commission review and remove any confusion about the alignment of authorized and actual pension plan expenses. Without the modification, Great Oaks believes a correct review is still probable, but with the modification, Great Oaks believes a correct review will be assured and less burdensome.

Cal Advocates opposes the modification, arguing that the proposed modification would "increase the burden on the Commission when reviewing this account and create confusion concerning balancing accounts and recording methodology."¹¹¹ As indicated above, this argument is directly contrary to the reality of Great Oaks' request and has no evidentiary basis.

A copy of Exhibit GOWC-1 Exhibit 5-2 showing the proposed modifications to the PEBA is provided in with this brief. Great Oaks requests that this modification be approved so as to ease the burden of review of this account when presented for amortization. Cal Advocates' opposition to this request is not fact-based and should be rejected.

11. Administrative & General Expenses – Account 796 Franchise Requirements. Great Oaks and Cal Advocates are in agreement that Great Oaks' method of calculating Account 796 Franchise Requirements (franchise fees Great Oaks is

¹⁰⁹ Exhibit GOWC-5, p. 41.

¹¹⁰ Exhibit GOWC-1, Exhibit 5-2.

¹¹¹ Exhibit CA-1, p. 7-10.

required to pay to the City of San José) is correct.¹¹² The only remaining issue for Account 796 is the amount of total operating revenues to use for the calculation.¹¹³

As discussed below in section IV.A., the Test Year 2022/2023 total operating revenues requested by Great Oaks equal \$22,783,129.¹¹⁴ Using the agreed-upon formula, Test Year 2022/2023 Account 796 Franchise Requirements are \$257,540.¹¹⁵ Great Oaks requests that this amount be accepted and approved.

12. Administrative & General Expenses – Account 798 Outside Services. The table below shows the differences between Great Oaks and Cal Advocates on Test Year 2022/2023 Account 798 expenses.

Comparison – Account 798 Outside Services Expenses – Test Year 2022/2023

Account	Great Oaks	Cal Advocates
798 Outside Services Expenses	\$539,239	\$384,239

The only remaining expense item at issue for Test Year 2022/2023 Account 798 expenses is the \$155,000 Test Year cost of the new Customer Communications Program proposed by Great Oaks. All other Account 798 issues have been resolved, including the costs of Great Oaks’ conservation program with WaterSmart.¹¹⁶

Great Oaks proposed a new Customer Communications Program designed by a vendor with significant experience with such programs, including programs utilized by other Class A water companies and approved by the Commission.¹¹⁷ The Customer Communications Program was fully explained in original Exhibit 5-4 provided with the general rate case application (now Exhibit GOWC-1 Exhibit 5-4), a copy of which is attached to this Brief for convenience. Great Oaks initially described the program in this manner:

Great Oaks may be the only Class A water utility without a full communications program that reaches customers on important issues. As the important issues pile up, including issues relating to climate change, droughts,

¹¹² Joint Statement – Stipulations – Operations & Maintenance Expenses, Administrative & General Expenses, Taxes, at p. 2.

¹¹³ *Id.*

¹¹⁴ See also, GRC Workpapers – GRC Brief, WP2, Cell K18, WP42, Cell E16.

¹¹⁵ See also, GRC Workpapers – GRC Brief, WP42, Cell E42.

¹¹⁶ Joint Statement – Stipulations Customers, Rate Design, Conservation Budget, p. 2.

¹¹⁷ Exhibit GOWC-1, Chapter 5, p. 38.

pandemics, and more, communications with customers through existing channels is insufficient to reach all customers, especially those with disabilities and others in hard-to-reach communities. The proposed communications program addresses this need.¹¹⁸

Cal Advocates opposes a program to improve communications between Great Oaks and its customers. In testimony filling almost one full page, Cal Advocates' witness opposes the program for several reasons, including Great Oaks' decision to save money on the program by performing its own website modification work.¹¹⁹ Cal Advocates also complains that Great Oaks did not consider whether it would be "able to better serve its customers by keeping the communications services in house."¹²⁰ Cal Advocates also complained that Great Oaks did not solicit multiple bids for the program, but instead only obtained one bid from a vendor. And, finally, Cal Advocates complained that Great Oaks did not adjust "other communications expenses" in light of the proposed new program.¹²¹

It is both fair and accurate to say that Cal Advocates' complaints and objections to the proposed new communications program are unsupported by any evidence. The first complaint – that Great Oaks is saving money on the program by performing its own website work – is a benefit to ratepayers, not a detriment or an extra cost.¹²² Cal Advocates should not oppose the saving of costs to ratepayers.

Next, as to keeping the communications program in-house, perhaps Cal Advocates simply overlooked the fact that Great Oaks' current communications with customers are all handled by current employees in-house and that the new program is intended to broaden, enlarge, and improve customer communications in ways that cannot be done in-house.¹²³ In response to a data request, Great Oaks provided detailed information about how Great Oaks currently communicates with customers, including through email, telephone, bill inserts, written correspondence, and notices

¹¹⁸ *Id.*

¹¹⁹ Exhibit CA-1, p. 7-9.

¹²⁰ *Id.*

¹²¹ *Id.*

¹²² *See*, Exhibit GOWC-5, p. 39.

¹²³ *Id.*

published in newspapers.¹²⁴ Yet, despite having this information and even including it with the Cal Advocates Report, Cal Advocates' witness did not consider this in the testimony.¹²⁵ Having the information Cal Advocates requested from Great Oaks and then choosing not to consider it for purposes of providing testimony is not a just or reasonable methodology.¹²⁶

The complaint that Great Oaks did not obtain multiple quotes for the program failed to recognize that the vendor providing the quote for the proposed program has significant experience developing and designing communications programs for California Class A water utilities that have been approved by the Commission. In response to a data request, Great Oaks specifically informed Cal Advocates of the qualifications of Randle Communications, but Cal Advocates failed to mention or consider this information in the testimony.¹²⁷

And, finally, with respect to the notion that Great Oaks should somehow adjust other costs if the communications program is allowed, Great Oaks asks the simple question: what costs should be adjusted? All current costs are associated with employees simply doing their jobs, all of whom will remain to continue doing their jobs. The proposed new communications program does not replace employees. The proposed new communications program provides information to customers in ways Great Oaks' employees cannot provide such information at present.

There are multiple ironies associated with Cal Advocates opposition to a program intended to improve communications between Great Oaks and its customers. But the most obvious is that when asked by Great Oaks to provide information on all communications between Cal Advocates and Great Oaks' customers about any issue in Great Oaks' general rate case application, Cal Advocates indicated that it did not communicate with Great Oaks' customers at all.¹²⁸ It should suffice to say that had Cal Advocates taken the time to communicate

¹²⁴ See Exhibit CA-1, Attachment 27-4.

¹²⁵ Exhibit CA-1, p. 7-9.

¹²⁶ Scoping Memo Issue d.

¹²⁷ See Exhibit CA-1, p. 7-9 and Attachment 27-5.

¹²⁸ Exhibit GOWC-7, Cal Advocates' Response to Great Oaks Data Request DR-1, Question 5. A.21-07-001 Great Oaks Water Company's

with Great Oaks’ customers about issues in this general rate case, Cal Advocates would have acquired knowledge about Great Oaks and its customers that Cal Advocates clearly lacks. That Cal Advocates places no value on communicating with customers certainly tainted Cal Advocates’ testimony about the proposed new communications program.

Great Oaks proposed the new communications program to benefit customers. Cal Advocates opposes the program and places no value on customer communications. There is no merit whatsoever to Cal Advocates’ opposition to the communications program and it should be approved.

13. Administrative & General Expenses – Account 811 Rents. The table below shows the differences between Great Oaks and Cal Advocates on Test Year Account 811 Rents.

Comparison – Account 811 Rents – Test Year 2022/2023

Account	Great Oaks	Cal Advocates
811 Rents	\$257,918¹²⁹	\$247,519

Rent expenses are based upon the written lease agreement that has been in place since 2009, with an amendment to the lease effective June 30, 2014. The last fully completed Rate Year was 2020/2021, and Great Oaks’ Account 811 Rent Expenses for that year were \$257,328.¹³⁰ Account 811 expenses for the current 2021/2022 Rate Year are projected to be slightly lower, at \$251,013,¹³¹ and Test Year 2022/2023 expenses are projected to be slightly higher, at \$257,918.¹³² Rent expenses include base rent and Great Oaks’ share of annual operating expense increases. Great Oaks’ methodology to project Account 811 Rent Expenses is the same methodology Great Oaks has used since the lease agreement became effective.

Cal Advocates recommends that Test Year 2022/2023 Account 811 Rent Expenses be cut to a level below recorded rental expenses in Rate Year 2020/2021 based upon an analysis and calculation method that lacks merit.¹³³ In fact, the

¹²⁹ See GRC Workpapers – GRC Brief, WP6, Cell K23, WP42, Cell E46.

¹³⁰ Exhibit GOWC-6, WP6, Cell I23.

¹³¹ *Id.*, at Cell J23.

¹³² *Id.*, at Cell K23.

¹³³ Exhibit CA-1, p. 7-7.

formula used by Cal Advocates to calculate Test Year Account 811 expenses is unexplained.¹³⁴

Great Oaks requests that its projected Account 811 Rent Expenses for Test Year 2022/2023 be accepted, as the projected expenses are just and reasonable and based upon the written lease agreement.

14. Non-Tariffed Products and Services. The table below shows the differences between Great Oaks and Cal Advocates on the amount of revenues from non-tariffed products and services that should be credited to customers in Test Year 2022/2023.

**Comparison – Credit to Customers for Revenues from
Non-Tariffed Products and Services – Test Year 2022/2023**

Account	Great Oaks	Cal Advocates
Non-Tariffed Products and Services	-\$80,946¹³⁵	-\$113,626¹³⁶

Great Oaks’ proposed sharing of revenues from Great Oaks’ passive non-tariffed products and services (rental income from cell tower leases at water storage tank sites and rental income from Great Oaks’ building at its Well No. 2 site) was based upon the same revenue sharing agreement that has been in place with Cal Advocates since Great Oaks’ 2015 general rate case. This agreement provided an equal sharing of all revenues from non-tariffed products and services.¹³⁷

On this issue Cal Advocates avoids the 2018 general rate case settlement agreement with Great Oaks because it does not fit within Cal Advocates’ argument. Cal Advocates recommends a change in the handling of revenues from non-tariffed products and services without even mentioning that Cal Advocates had agreed to the approach Great Oaks used in the last two general rate cases.¹³⁸

Great Oaks does not disagree that the Commission’s Modified Rules for Water and Sewer Utilities Regarding Affiliate Transactions and the Use of Regulated Assets for Non-Tariffed Utility Services adopted in D.11-10-034 apply to the passive

¹³⁴ Exhibit CA-2, WP6, Cell K23 (the formula for this cell is shown as “=((20316.32-866.549999999999)*12)+(14009.64*(1+K36)).”

¹³⁵ Exhibit GOWC-6, WP6, Cell K26.

¹³⁶ Exhibit CA-2, WP6, Cell K26.

¹³⁷ Exhibit GOWC-1, Chapter 3, p. 15; Exhibit GOWC-6, WP6, Cell K26.

¹³⁸ Exhibit CA-1, pp. 9-1 to 9-3.

revenues generated through the leases referenced above. Great Oaks’ mistake appears to be the assumption that Cal Advocates knows that the likely result will be the eventual elimination of this ratepayer benefit over time.¹³⁹

For purposes of moving forward, Great Oaks will accept Cal Advocates’ recommended ratepayer credit of (\$113,626) for Test Year 2022/2023.

III. Discussion of Plant-in-Service and Rate Base Issues

A. Routine Plant-in-Service Additions. Following settlement discussions and stipulations, the only remaining plant-in-service issues pertain to the Account 345 Services, Account 346 Meters, and Account 372 Computers.¹⁴⁰ Each category is addressed separately below.

1. Account 345 Services. The table below shows the differences between Great Oaks and Cal Advocates on the routine plant-in-service additions proposed for Test Year 2022/2023.

Comparison – Account 345 Services – Test Year 2022/2023

Account	Great Oaks	Cal Advocates
345 Services	\$137,167¹⁴¹	\$91,055¹⁴²

Great Oaks’ projected cost of routine Account 345 plant-in-service additions is based upon the average of the Account 345 additions over the period from 2018 through projected Rate Year 2021/2022.¹⁴³ This methodology has been used by Great Oaks over multiple rate case cycles and has not been the subject of dispute before now. Great Oaks characterizes the Account 345 plant-in-service additions as “routine” because that is exactly what they are. Over the course of any particular rate year, it is necessary to either add or replace services because of circumstances such as new customers or aging water system assets.

No specific projects are proposed, as these plant-in-service additions are a normal or common occurrence for Great Oaks and every other water utility. The

¹³⁹ Exhibit GOWC-5, pp. 50 – 52.

¹⁴⁰ See Joint Statement – Stipulations – Rate Base.

¹⁴¹ Exhibit GOWC-1, Exhibit G Proposed Capital Projects, p. 2; Exhibit GOWC-6, WP18, Cell K38.

¹⁴² Exhibit CA-2, WP18, Cell J38.

¹⁴³ Exhibit GOWC-6, WP18, Cell J38.

Minimum Data Requirements adopted in the Revised Rate Case Plan for Class A Water Utilities recognizes that there will be routine and regular plant-in-service additions that are not part of planned projects.¹⁴⁴ Utilities are permitted to choose the method through which projected plant-in-service additions are calculated.¹⁴⁵

Cal Advocates' recommendation for Test Year 2022/2023 Account 345 plant-in-service additions is based, not upon the recorded costs of plant additions or upon any other method of projecting actual costs of plant-in-service additions, but upon the amount of Account 345 plant-in-service additions agreed upon in the settlement of Great Oaks' 2018 general rate case, with applied escalation factors.¹⁴⁶ In a very brief portion of the Cal Advocates Report (less than one page), Cal Advocates makes no attempt to justify the use of this odd methodology. No suggestion is made that Cal Advocates' methodology produces an accurate or even more accurate projection of Account 345 costs. Cal Advocates simply argues that because Great Oaks has not proposed "any planned or defined projects" Great Oaks' projected costs are not justified.¹⁴⁷

In its testimony on proposed capital projects, Great Oaks stated: "Each year the Company installs new services. The projected cost of the new service installations is based upon an average of investment costs from 2017 through 2020."¹⁴⁸ Since that testimony was originally provided, Great Oaks updated its data so as to include recorded investment costs through Rate Year 2020/2021.¹⁴⁹ This is a very basic methodology that Cal Advocates apparently did not consider even though it is the same methodology Cal Advocates knew and understood in prior rate cases.

There is no just or reasonable basis to accept Cal Advocates' projection of Account 345 Services plant-in-service additions using the amounts adopted in the settlement of the 2018 general rate case.¹⁵⁰ Great Oaks' use of recorded and trended

¹⁴⁴ D.07-05-062, Appendix A, p. A-26.

¹⁴⁵ *Id.*

¹⁴⁶ Exhibit CA-1, p. 10-9.

¹⁴⁷ *Id.*

¹⁴⁸ Exhibit GOWC-1, Exhibit G Proposed Capital Projects, p. 2.

¹⁴⁹ Exhibit GOWC-6, WP18, Cell J38.

¹⁵⁰ Scoping Memo Issue d.

Account 345 plant-in-service additions is a reasonable and fair method of projecting Test Year Account 345 costs¹⁵¹ and Great Oaks’ projected cost of \$137,167 should be accepted.

2. Account 346 Meters. The table below shows the differences between Great Oaks and Cal Advocates on the Test Year 2022/2023 plant-in-service additions for Account 346 Meters.

Comparison – Account 346 Meters – Test Year 2022/2023

Account	Great Oaks	Cal Advocates
345 Services	\$159,503¹⁵²	\$104,900¹⁵³

In the testimony provided in support of Great Oaks’ projected Test Year 2022/2023 investment in Account 346 Meters, Great Oaks indicated that the investment was to complete its General Order 103 Meter Replacement Program.¹⁵⁴ Completion of the General Order 103 Meter Replacement Program requires the replacement of 1,410 meters, or an average of 470 meters each year during the three-year rate case cycle beginning with Test Year 2022/2023.¹⁵⁵

Without regard or even mention of Great Oaks’ General Order 103 Meter Replacement Program, Cal Advocates recommends the replacement of only 300 meters per year.¹⁵⁶ Cal Advocates’ stated rationale for its position is that Great Oaks only installed an average of 300 meters per year during the 2017 to 2020 time period.¹⁵⁷ Cal Advocates did not consider compliance with General Order 103 in its testimony or when making its recommendation.¹⁵⁸ Cal Advocates’ failure to address the stated reason for the number of meters Great Oaks will be replacing was not

¹⁵¹ *Id.*

¹⁵² Exhibit GOWC-1, Exhibit G Proposed Capital Projects, pp. 2 – 3; Exhibit GOWC-6, WP18, Cell K39.

¹⁵³ Exhibit CA-1, pp. 10-6 to 10-7; Exhibit CA-2, WP18, Cell K39.

¹⁵⁴ Exhibit GOWC-1, Exhibit G Proposed Capital Projects, p. 2.

¹⁵⁵ Exhibit GOWC-5, p. 56.

¹⁵⁶ Exhibit CA-1, p. 10-7.

¹⁵⁷ *Id.*

¹⁵⁸ See General Order No. 103-A, at p. 23.
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explained. Simple averaging of the number of meters replaced over a four-year period does not address the real issue or present a just and reasonable methodology.¹⁵⁹

Cal Advocates’ recommendation should be rejected, as it would prevent Great Oaks from receiving rate base credit for all of the meters it will be replacing to remain in compliance with General Order No. 103-A. It is worth noting as well that Great Oaks has replaced well more than 470 meters in a year. In 2017, for example, Great Oaks replaced 724 meters.¹⁶⁰ Great Oaks’ rationale for replacing 470 meters per year is clear and the reason (compliance with General Order No. 103-A) is easily understandable and appropriate. Great Oaks requests that its planned investment in Account 346 Meters be approved.

3. Account 372 Computers. The table below shows the differences between Great Oaks and Cal Advocates on Test Year 2022/2023 plant-in-service additions in Account 372 Computers.

Comparison – Account 372 Computers – Test Year 2022/2023

Account	Great Oaks	Cal Advocates
372 Computers	\$87,596¹⁶¹	\$66,104¹⁶²

Great Oaks explained its projected Account 372 investments in this way: “With the increasing demands from the Commission and other government agencies for data, the Company now must replace more computer equipment each year to eliminate obsolete or non-functional computer equipment each year and to add more data storage and backup capacity.”¹⁶³ Great Oaks then used the average investments in Account 372 Computers from 2017 through 2020, with the appropriate escalation factors for Rate Year 2021/2022 and Test Year 2022/2023, to calculate its projected Test Year 2022/2023 investments in Account 372 Computers.¹⁶⁴ The amount projected by Great Oaks does not overstate its expected plant-in-service additions in Account 372 Computers.

¹⁵⁹ Scoping Memo Issue d.

¹⁶⁰ Exhibit GOWC-5, p. 57.

¹⁶¹ Exhibit GOWC-1, Exhibit G, p. 3; Exhibit GOWC-6, WP19, Cell K15.

¹⁶² Exhibit CA-1, pp. 10-9 to 10-10; Exhibit CA-2, WP19, Cell K15.

¹⁶³ Exhibit GOWC-1, Exhibit G, p. 3.

¹⁶⁴ Exhibit GOWC-6, WP19, Cells J15 and K15.

Much like the approach to Account 345 Services, the Cal Advocates’ witness based the recommendation on the settlement agreement in Great Oaks’ 2018 general rate case.¹⁶⁵ No other discernable rationale was provided for Cal Advocates’ recommendation.

Great Oaks’ methodology for projecting Account 372 Test Year 2022/2023 plant-in-service additions is just and reasonable and has been used by Great Oaks for several rate case cycles.¹⁶⁶ To the contrary, Cal Advocates’ recommendation is not based upon actual recorded Account 372 investments but is instead based upon the agreed upon and adopted Account 372 plant-in-service additions from the settlement of Great Oaks’ 2018 general rate case. Because of its sound and accepted methodology, Great Oaks’ projected Test Year 2022/2023 Account 372 Computers plant-in-service additions should be accepted and authorized.

4. Rate Base – Working Cash Component of Rate Base. The differences between Great Oaks and Cal Advocates on the working cash component of rate base are shown in the table below.

Comparison – Working Cash – Test Year 2022/2023

Account	Great Oaks	Cal Advocates
Working Cash Component of Rate Base	\$2,803,239¹⁶⁷	\$1,656,114 ¹⁶⁸

Great Oaks has projected its working cash needs using the same method it has always used – the simplified method provided in Water Standard Practice U-16-W. Cal Advocates argues that Great Oak should use the detailed method of determining the working cash allowance. As discussed below, the simplified method is the correct method to use for Great Oaks, as it produces a working cash allowance that is just and reasonable.

¹⁶⁵ Exhibit CA-1, pp. 10-9 to 10-10.

¹⁶⁶ Scoping Memo Issue d.

¹⁶⁷ This amount is the result of the settlement and stipulation on several issues affecting the working cash component of rate base. The complete calculations for the working cash component of rate base are provided in the GRC Workpapers – GRC Brief included with this filing, on tab WP32a, Working Cash Simplified and included in the Rate Base calculation on WP31, Cell L39.

¹⁶⁸ Exhibit CA-1, pp. 14-2 to 14-8; Exhibit CA-2, WP31, Cell L40.

Standard Practice U-16-W describes the purpose of the working cash component of rate base in this way: “Its purpose is to compensate investors for the purpose of paying operating expenses in advance of receipt of offsetting revenues from its customers and in order to maintain minimum bank balances.”¹⁶⁹ Put more plainly, working cash is the money provided by investors that the utility uses to pay its bills and other expenses (payroll, for example) while the utility waits for customers to pay their bills. Without working cash, a utility would have to borrow money to pay bills. Because the money is provided by investors and working cash is a component of rate base, the utility earns a rate of return (set by the Commission in cost of capital proceedings) on the working cash. Standard Practice U-16-W explains the regulatory concept of working cash in this way: “The regulatory concept, on the other hand, defines working capital as an allowance for the amount of money which the utility has furnished from its own funds for the purpose of enabling it to satisfy ordinary requirements for minimum bank balances and to bridge the gap between the time expenses of rendering utility service are paid and the time revenues from the same service are collected.”¹⁷⁰

Cal Advocates’ testimony on the working cash component of rate base begins with this statement: “Working cash allowance is the money GOWC is allowed to recover from GOWC’s ratepayers so investors can earn a rate of return on day-to-day cash needs, arising from the lag between the payment of expenses and collection of revenues.”¹⁷¹ Cal Advocates cites as authority for this statement a 2017 Manual for Regulatory Analysts prepared by the Commission’s Policy & Planning Division, rather than Standard Practice U-16-W.¹⁷² Strangely, however, this manual does not support the statement made, but instead describes the working cash component of rate base in this way: “Firms required working cash because normally there is a time lag between payment of expenses and collection of revenues. Including working

¹⁶⁹ Water Standard Practice U-16-W, Chapter 1, Section D, p. 1-2.

¹⁷⁰ *Id.*, at pp. 1-2 to 1-3.

¹⁷¹ Exhibit CA-1, p. 14-2.

¹⁷² *Id.*

capital in the rate base allows investors to earn a return for supplying the funds needed for investment in inventory of parts and supplies and day-to-day cash needs.”¹⁷³

The discrepancy between the description working cash by the Cal Advocates witness and the actual definition, purpose, and description of working cash in Standard Practice U-16-W and the manual cited by the same witness suggests the witness is quite unfamiliar with both the regulatory concept of working cash and its source. Working cash is not provided by or recovered from ratepayers. Only the Commission-authorized rate of return on rate base is recovered from ratepayers.

The Cal Advocates’ position that Great Oaks should be using the “detailed basis” method of calculating the working cash allowance appears to be based simply on the fact that Great Oaks is a Class A utility. Cal Advocates’ witness states: “The Commission’s Standard Practices [sic] state that “The working cash allowance included in the rate base for major utilities is normally developed by the detailed basis.” Other Class A Water Utilities, such as San Jose Water Company and California Water Service, calculate the working cash allowance on a detailed basis.”¹⁷⁴ However, Standard Practice U-16-W does not require Great Oaks to use the detailed basis method simply because Great Oaks is a Class A water utility. In fact, there is nothing in Standard Practice U-16-W indicating that Class A water utilities must or should use the detailed basis method. Cal Advocates’ assumption on this point is incorrect.

Standard Practice U-16-W provides instructions on how to calculate the working cash allowance using the simplified method and in so doing, the Standard Practice makes references to how Class A water utilities should consider certain accounts for purposes of determining purchased power expenses.¹⁷⁵ This means that

¹⁷³ https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_public_website/content/about_us/organization/divisions/policy_and_planning/ppd_work/ppd_work_products_-2014_forward-/ppd-general-rate-case-manual-1-.pdf, at p. 27.

¹⁷⁴ Exhibit CA-1, p. 14-3.

¹⁷⁵ Standard Practice U-16-W, Chapter 2, p. 2-3 (Note: there are two pages designated as “2-3” in the Standard Practice. This citation is to the second of those two pages.).

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Standard Practice U-16-W contemplates that Class A water utilities will be using the simplified basis method to calculate the working cash allowance.

In addition to this fact, it should also be noted that it would have been both easy and simple for the Commission to state that either that the simplified method is to be used by specific classes of water utilities, such as Class A, B, C, or D, but the Commission chose not to do so. The Commission has not in any stated that all Class A water utilities are considered “major” utilities for purposes of Standard Practice U-16-W. Instead, Standard Practice U-16-W indicates that “[t]he working cash allowance included in rate base for major utilities is normally developed by the detailed basis.”¹⁷⁶ The Standard Practice then lists several utilities as examples of “major” utilities, including California Water Service Company, San Jose Water Works (now San Jose Water Company), and Pacific Gas & Electric Company.¹⁷⁷

Great Oaks cannot be considered a “major” utility when compared to these companies. The table below shows the 2019¹⁷⁸ service connections/customer numbers for these three utilities that are considered “major” under Standard Practice U-16-W and Great Oaks’ 2019 service connections.

**Great Oaks vs. “Major” Utilities
Service Connections/Customers – 2019**

Utility	2020 Service Connections/Customers
California Water Service Company	527,407
San Jose Water Company	226,602
Pacific Gas and Electric Company	5,500,000 ¹⁷⁹
Great Oaks Water Company	21,687

This comparison refutes any notion that Great Oaks is a “major” utility in the same league as California Water Service Company, San Jose Water Company, and Pacific Gas and Electric Company. Moreover, as Cal Advocates knows, Great Oaks has an accounting department with one employee, Great Oaks’ Chief Financial Officer. It is not practical or efficient to impose upon Great Oaks’ one employee the

¹⁷⁶ *Id.*, Chapter 3, p. 1-2.

¹⁷⁷ *Id.*

¹⁷⁸ 2019 numbers are used because those are the most recent numbers available on the Commission’s website.

¹⁷⁹ https://www.pge.com/en_US/about-pge/company-information/profile/profile.page.

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burden of performing a detailed basis calculation for the working cash allowance when that task is likely performed by a team of people working at “major” utilities.

This is the Cal Advocates’ witness’ first experience with Great Oaks in a general rate case and the witness’ lack of knowledge about Great Oaks and its operations, including Great Oaks’ accounting procedures, bill payment procedures and schedules, and other pertinent information does not qualify the witness to perform a detailed basis calculation of the working cash allowance for Great Oaks in this proceeding. Standard Practice U-16-W clearly states:

Before commencing a study using the detailed method, the engineer should familiarize himself with the operations of the utility, its accounting procedures for accruing expenses, payment procedures and schedule, and management’s viewpoint of working cash needs. Without this information, the engineer would not be knowledgeable enough to request the pertinent facts from the utility in preparation of the data to complete a detailed study of working cash allowance.¹⁸⁰

The Cal Advocates witness took none of these actions and therefore cannot offer a recommendation based upon the details of Great Oaks’ operations in compliance with Standard Practice U-16-W guidance. So, not only is Cal Advocates’ recommendation on the working cash component of rate base based upon the incorrect assumption that Great Oaks is a “major” utility, the Cal Advocates witness making that recommendation did not perform the necessary work to familiarize himself with Great Oaks’ operations to qualify himself to perform the detailed basis calculations.

Finally on this issue, it should be noted that at no point in time during the Commission’s regulation of Great Oaks has the Commission decided that Great Oaks must use the detailed basis methodology to calculate the working cash component of rate base. What this proves is that Cal Advocates’ position is not based upon any

¹⁸⁰ Standard Practice U-16-W, Chapter 3, pp. 1-2 to 1-3.
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Commission precedent. Cal Advocates’ position is taken simply to reduce Great Oaks’ rate base without regard to whether doing so is just and reasonable.

Because Great Oaks’ use of the simplified basis method has been approved by the Commission for the entire duration of Great Oaks’ existence, Great Oaks is not a “major” utility under the terms of Standard Practice U-16-W, and Cal Advocates’ position is based upon neither facts nor the work of a qualified witness, Great Oaks requests that its method of calculating the working cash component of rate base and the results thereof be found just and reasonable and be accepted in this proceeding.

5. Rate Base – Test Year 2022/2023. Based upon all of the above, including the requested acceptance of Great Oaks’ positions on all rate base related issues, the table below shows the rate base calculation for Test Year 2022/2023.

Rate Base – Test Year 2022/2023¹⁸¹

Account	Amount
Utility Plant	
Plant in Service	\$54,589,286
Construction Work in Progress	129,275
General Office Prorate	0
Total Gross Plant	\$54,718,561
Minus: Accumulated Depreciation	
Plant in Service	-\$30,043,528
Minus: Other Reserves	
Deferred Income Taxes	-\$3,012,520
Deferred Investment Tax Credits	-933
Total Other Reserves	-\$3,013,453
Minus: Adjustments	
CIAC	-\$2,471,746
Advances for Construction	-4,427,190
Less: Deferred Tax - AFC	+496,492
Net Advances for Construction	-\$3,930,698
Total Adjustments	-\$6,402,444
Plus: Materials & Supplies	0
Minus: Adjustments for Excess Tax Reserve	-\$438,721
Plus: Working Cash – Simplified Basis	+\$2,803,239

¹⁸¹ See Great Oaks’ GRC Workpapers – GRC Brief, WP31 – Rate Base, Column L. A.21-07-001 Great Oaks Water Company’s Opening Brief

Total Rate Base	\$17,623,654
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The above calculations take into account not just the requested resolution of the related rate base issues, but also the stipulations by Great Oaks and Cal Advocates on other rate base issues.¹⁸²

IV. Non-Revenue Issues – Memorandum and Balancing Accounts

The final set of issues pertain to Great Oaks’ requests with respect to existing and proposed new memorandum accounts. Great Oaks has already presented its discussion of the requested continuation and update of the Credit Card Pilot Program Memorandum Account¹⁸³ and the Pension Expense Balancing Account¹⁸⁴ in the context of the expense accounts associated with those accounts.

A. Amortization of Groundwater Charge Balancing Accounts. Cal Advocates has reviewed the balance and the administration of Great Oaks’ two incremental groundwater charge balancing accounts.¹⁸⁵ Both Great Oaks and Cal Advocates recommend that Great Oaks be authorized to amortize the balances in these accounts through an appropriate advice letter filing. Great Oaks does not agree with Cal Advocates’ methodology, however, and requests authority to amortize the balancing accounts according to the terms and conditions of the accounts rather than using Cal Advocates erroneous methodology.¹⁸⁶ Great Oaks intends to file the advice letter to amortize the balances in the accounts after rates are in effect from this proceeding. Great Oaks may amortize the balances in these accounts in combination with other balancing or memorandum account amortization to avoid multiple surcharges/sur-credits.

B. Amortization of Catastrophic Events Memorandum Account (CEMA). Both Great Oaks and Cal Advocates recommend that Great Oaks amortize the balance in its CEMA for the 2019 Public Safety Power Shutoff events and then close that

¹⁸² Joint Statement – Stipulations – Rate Base.

¹⁸³ See section II.A.5.a., above.

¹⁸⁴ See section II.A.10, above.

¹⁸⁵ Exhibit CA-1, pp. 8-2 to 8-3.

¹⁸⁶ Exhibit GOWC-5, pp. 44 – 45.

CEMA.¹⁸⁷ Great Oaks requests authority to file an advice letter to amortize the CEMA balance alone, or in combination with requests to amortize other appropriate balances in memorandum or balancing accounts.

C. Supplier Diversity Program Expense Memorandum Account. Based upon the results of this proceeding, it is a virtual certainty that Great Oaks' gross annual California revenues will exceed \$25 million in the very near future, making Great Oaks an automatic participant in the Commission's General Order No. 156 Supplier Diversity Program. Great Oaks has never before had to comply with the various supplier diversity requirements, including reporting requirements.

Presently, R.21-03-010 is underway and new supplier diversity requirements and reporting are expected. Recently a proposed decision was issued that brings into play additional supplier diversity requirements that will ultimately apply to Great Oaks.¹⁸⁸ Great Oaks' justification for requesting this new memorandum account is because the costs associated with compliance with all new reporting requirements being adopted in R.21-03-010 cannot be estimated and may be material.

Cal Advocates' opposition to Great Oaks' request is based upon several unfounded assumptions made by an inexperienced witness.¹⁸⁹ Great Oaks could not possibly know the cost of complying with new requirements that have not yet been adopted by the Commission, but which will be adopted by the time Great Oaks becomes a participant in the Supplier Diversity Program.¹⁹⁰

Great Oaks' request meets all of the requirements for establishing a new memorandum account. The expenses Great Oaks will incur cannot be known until the reporting requirements are adopted by the Commission, a factor beyond Great Oaks' control. The expenses cannot be reasonably foreseen or estimated for the same reason and may be quite substantial.¹⁹¹ Ratepayers will benefit from Great Oaks'

¹⁸⁷ Exhibit GOWC-5, p. 45.

¹⁸⁸ <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M449/K435/449435153.PDF>.

¹⁸⁹ Exhibit CA-1, pp. 8-8 to 8-9.

¹⁹⁰ Exhibit GOWC-5, pp. 47 – 48; see also Exhibit GOWC-1, Chapter 1, pp. 5 – 6.

¹⁹¹ *Id.*

participation in the Supplier Diversity Program, which has been a success since its inception.

Having met all of the requirements for the establishment of a new memorandum account, Great Oaks requests that it be authorized to establish a new memorandum account to track and recover its costs of complying with the Commission's General Order No. 156 Supplier Diversity Program and its reporting requirements.

D. USEPA Lead and Copper Rule Revisions (LCRR) Expense Memorandum Account. Great Oaks has also requested the authority to establish a new memorandum account to track and recover costs associated with complying with the US EPA's Lead and Copper Rule Revisions (LCRR).¹⁹² The LCRR will require Great Oaks to inventory the privately-owned portion of a service line and categorize its findings as either lead, galvanized, non-lead (including copper, plastic, or steel) or lead status unknown. To accomplish this inventory and reporting, Great Oaks is to review "construction and plumbing codes, permits, and existing records or other documentation which indicates the service line materials used to connect structures to the distribution system."¹⁹³ Great Oaks is to review various records, including records only available through third parties or government agencies, to discover and report on the materials used in service connections that are on customer property (*i.e.*, not Great Oaks' service lines).¹⁹⁴ This will be a laborious process that will not be without cost.

Great Oaks is not able to estimate the expenses of this process and those expenses may be substantial. The Field Services – Water Quality Specialist/Environmental Services employee Cal Advocates seeks to remove would be the person Great Oaks intends to use to accomplish this process.

Cal Advocates' opposition to this request shows that Cal Advocates has no knowledge or experience addressing the LCRR. Cal Advocates' witness references

¹⁹² Exhibit GOWC-1, Chapter 3, pp. 9 – 10.

¹⁹³ *Id.*, see also Exhibit GOWC-1, Exhibit 3-8.

¹⁹⁴ *Id.*

2016 law to support the opposition, but the regulations with the LCRR were adopted in 2021.¹⁹⁵

There is no merit whatsoever to Cal Advocates' opposition to this memorandum account request. Great Oaks' request for a USEPA Lead and Copper Rule Revisions Expense Memorandum Account should be accepted and adopted.

E. Santa Clara Valley Water District Litigation Memorandum Account. Great Oaks requested an adjustment to the terms and conditions of its Santa Clara Valley Water District Litigation Memorandum Account.¹⁹⁶ The proposed changes to the memorandum account preliminary statement tariff sheet are provided in Exhibit GOWC-1, Exhibit 3-9, a copy of which is attached hereto.

The proposed change in terms and conditions applies only if Great Oaks is both successful and recovers money from the Santa Clara Valley Water District in the litigation:

If the litigation is successful and the Company recovers from the District any amount of money, the Commission practice is to permit the Company to recover the outside costs of litigation (attorney fees and costs), with the net proceeds going 100% to ratepayers.¹⁹⁷

The language that limits Great Oaks' recovery of expenses to \$100,000 in the event the litigation is not successful remains in the proposed tariff sheet.¹⁹⁸

Cal Advocates' opposition to the requested modification to this existing memorandum account is mistaken. Contrary to Cal Advocates' testimony,¹⁹⁹ the requested modification does not impact Great Oaks' customers at all if Great Oaks does not prevail in the litigation and does not recover a money judgment from the Santa Clara Valley Water District. Cal Advocates' entire opposition to the request is based upon a misreading or misunderstanding of the request.

¹⁹⁵ Exhibit GOWC-5, p. 49.

¹⁹⁶ Exhibit GOWC-1, Chapter 3, p. 14.

¹⁹⁷ Exhibit GOWC-1, Exhibit 3-9.

¹⁹⁸ *Id.*

¹⁹⁹ Exhibit CA-1, pp. 8-5 to 8-6.

Because Great Oaks' request is just and reasonable and Cal Advocates' opposition to the request is entirely mistaken, Great Oaks requests that the modification to the Santa Clara Valley Water District Litigation Memorandum Account be accepted.

V. Requested Revenues and Rates

A. Requested Revenues. Great Oaks requests Total Operating Revenues of \$22,783,129 as shown in the table below.

Summary of Test Year 2022/2023 Revenues and Expenses

Operating Revenues	
Metered Water Service Revenues	\$22,591,439
Fire Protection Revenues	191,690
Total Operating Revenues (excluding CPUC fees)	\$22,783,129
O&M and A&G Expenses	
Net Payroll Expense	\$2,710,517
Groundwater Charges, Acct. 700	11,425,036
Op. Labor & Expense (Excluding Labor), Acct. 702	15,774
Misc. Pump Exp., Acct. 725	7,887
Purchased Power, Acct. 726	1,088,082
Maintenance of Pumping Equipment, Accts. 711, 732	31,208
Chemicals & Filtering, Acct. 744	13,832
Meter Expense, Acct. 754	-9,448
T&D Misc. Expense, Acct. 756	7,887
T&D Maint. & Supv., Accts. 753, 758	0
Maintenance of Reservoirs & Tanks, Acct. 760	0
Maintenance of T&D Mains, Acct. 761	151,579
Maintenance of Services, Acct. 763	36,613
Maintenance of Meters, Acct. 764	0
Maintenance of Hydrants, Acct. 765	5,740
Maintenance of General Plant, Acct. 805	72,512
Meter Reading Expense, Acct. 772	17,334
Customer Records & Collection, Acct. 773	240,628
Uncollectible Accounts	43,835
Office Supplies & Other Expense, Acct. 792	49,632
Property Insurance, Acct. 793	124,651
Injuries & Damages, Acct. 794	61,240
Employee Pensions & Benefits, Acct. 795	1,316,405
Franchise Requirements, Acct. 796	257,540
Regulatory Commission Expenses, Acct. 797	62,311
Outside Services, Including GRC Expenses, Acct. 798	539,239
Miscellaneous General Expenses, Acct. 799	185,253
Rents, Acct. 811	257,918
Transportation Expenses, Acct. 903	0
Passive Income Ratepayer Credit	-113,626
Total O&M A&G Expenses	18,599,578
Depreciation Expense	1,454,292
Taxes Other than Income	503,341
Current State Income Tax	152,838
Current Federal Income Tax	379,427

Deferred Tax Expense – State	7,866
Deferred Tax Expense – Federal	249,459
Total Depreciation and Taxes	2,747,223
Total Operating Expenses	21,346,801
Net Operating Revenue	1,436,328
Rate Base	17,623,654
Rate of Return, Percent	8.15%

B. Rate Design – Meters and Private Fire Protection.

1. Meters and Meter Sizes – Test Year 2022/2023.

Based upon Great Oaks’ requested customer numbers for Test Year 2022/2023, Great Oaks proposes that the number and sizes of meters in the following table be accepted and adopted. While Great Oaks and Cal Advocates did not reach agreement on the number of customers, it is believed by Great Oaks that if Great Oaks’ customer numbers are adopted that Cal Advocates does not object to the number and sizes of meters shown below.

Meters and Meter Sizes – Test Year 2022/2023

Meter Size	Number of Meters
5/8" x 3/4"	5,636
3/4" x 3/4"	13,916
1-inch	990
1.5-inch	363
2-inch	477
3-inch	67
4-inch	47
6-inch	11
8-inch	8
10-inch	3
Total	21,518

2. Rate Design – Private Fire Protection Meters. Great Oaks and Cal Advocates agreed and stipulated²⁰⁰ that the following number of private fire connection customers and services are just and reasonable for the rate case cycle.

Private Fire Protection Customers

Year	Private Fire Protection Customers
Test Year 2022/2023	350

²⁰⁰ Joint Statement – Stipulations Water Sales Forecast, Customers, Rate Design, Stipulation 6. A.21-07-001 Great Oaks Water Company’s Opening Brief

Escalation Year 2023/2024	354
Attrition Year 2024/2025	358

Based upon the number of private fire protection customers in Test Year 2022/2023, the following private fire protection rates and revenues are requested for Test Year 2022/2023:

Private Fire Protection Rates and Revenues

Meter Size	Customers	Monthly Service Charge	Revenues
2-inch	105	\$19.82	\$24,974
4-inch	42	\$32.78	\$16,523
6-inch	98	\$49.74	\$58,494
8-inch	76	\$66.92	\$61,034
10-inch	26	\$85.54	\$26,688
12-inch	3	\$110.48	\$3,977
Total Revenue			\$191,690.45
CPUC Surcharge		1.43%	\$2,741
Total Private Fire Protection Revenues Plus CPUC Surcharge			\$194,432

3. Rate Design and Requested Rates. Great Oaks and Cal Advocates have agreed to the methodology for calculating the service charges and the uniform quantity rate, as well as for the tiered conservation rates. The rate design agreed upon provides for collection of 75% of fixed costs to be recovered through service charges and all remaining costs (25% of fixed costs and 100% of variable costs) to be recovered through the quantity charge.²⁰¹

The tables below show the calculation of the service charges and the uniform quantity rate based upon Great Oaks’ requested outcome on all issues in this proceeding.

5/8” Meter Equivalents

Meter Size	Ratio	Meters	5/8” Equivalents
5/8” x 3/4”	1.0	5,636	5,636
3/4” x 3/4”	1.5	13,916	20,874
1-inch	2.5	990	2,475
1.5-inch	5.0	363	1,815
2-inch	8.0	477	3,816

²⁰¹ Joint Statement - Stipulations
A.21-07-001 Great Oaks Water Company’s
Opening Brief

3-inch	15.0	67	1,005
4-inch	25.0	47	1,175
6-inch	50.0	11	550
8-inch	80.0	8	640
10-inch	115.0	3	345
12-inch	165.0	0	0
Total		21,518	38,341

Meter Service Charge Calculation²⁰²

Item	Amount
Fixed Costs	\$9,744,088
75% of Fixed Costs	\$7,308,066
Minus Private Fire Protection Revenues	-191,690
Total Service Charge Revenues	\$7,116,376
Service Charge Per Year	\$185.66
Service Charge Per Month	\$15.47

Test Year 2022/2023 Meter Service Charges²⁰³

Meter Size	Ratio	Monthly Service Charge
5/8" x 3/4"	1.0	\$15.47
3/4" x 3/4"	1.5	\$23.21
1-inch	2.5	\$38.68
1.5-inch	5.0	\$77.36
2-inch	8.0	\$123.77
3-inch	15.0	\$232.07
4-inch	25.0	\$386.78
6-inch	50.0	\$773.57
8-inch	80.0	\$1,237.71
10-inch	115.0	\$1,779.20
12-inch	165.0	\$2,552.77

Uniform Quantity Charge Test Year 2022/2023²⁰⁴

Item	Amount
25% of Fixed Costs	\$2,436,022
Variable Costs	\$13,043,416
Total	\$15,479,439
Sales, CCF	3,919,010
Quantity Charge	\$3.9498

²⁰² See GRC Workpapers – GRC Brief, WP47.

²⁰³ *Id.*

²⁰⁴ *Id.*

Conservation (Tiered) Rates Calculation Test Year 2022/2023²⁰⁵

Tier	CCF Range	Factor	Rate
Tier 1	0 – 12 ccfs bi-monthly	0.7110	\$2.8013
Tier 2	13 – 20 ccfs bi-monthly	1.2270	\$4.8343
Tier 3	Over 20 ccfs bi-monthly	1.4570	\$5.7405

4. Calculation of CAP Surcharge. The table below provides the calculation of the Customer Assistance Program (CAP) Surcharge. The number of participants in the CAP program is based upon Great Oaks’ most recent compliance filing in R.17-06-024, the low-income rulemaking that requires monthly reporting of participation in CAP programs. The methodology to calculate the CAP surcharge is not in dispute.

CAP Cost and Surcharge Calculations

Meter Size	Monthly Charge	50% Discount	Yearly Discount	Participants	Totals
5/8 x 3/4	\$15.47	\$7.74	\$92.82	1,150	\$106,743
3/4 x 3/4	\$23.21	\$11.61	\$139.26	2,286	\$318,348
1-inch	\$38.68	\$19.34	\$232.08	6	\$1,392
1.5-inch	\$77.36	\$38.68	\$464.16	3	\$1,392
			Total CAP Cost		\$427,875
			Divided by Non-CAP Sales (ccfs)		3,563,589
			CAP Surcharge per CCF		\$0.1201

C. Comparison of Current and Requested Revenues and Average Customer Bills.

The table below shows a comparison of Great Oaks’ currently authorized revenues and the revenues requested for Test Year 2022/2023.

Comparison of Current and Requested Test Year Revenues

Current Revenues	Requested Revenues	Difference (%)
\$21,738,457 ²⁰⁶	\$22,783,129	\$1,044,672 (4.8%)

Great Oaks originally requested an increase in revenues up to \$24,357,293, which would have been an increase of \$2,618,836 over currently authorized revenues. Great Oaks and Cal Advocates worked together well to reduce the increase in revenues by a substantial amount.

Shown below is a comparison of average single-family residential customer bills using the average consumption agreed upon between Great Oaks and Cal Advocates. Temporary surcharges have not been included in the bill comparison.

²⁰⁵ *Id.*, at WP48.

²⁰⁶ Advice Letter 300-W-A.

Bill Comparison
Average Single-Family Residential Customer with ¾” x ¾” Meter
Using 9 ccfs per Month

At Current Rates				At Requested Rates			
Item	Amount	Units	Total	Item	Amount	Units	Total
Monthly Serv. Chg.	\$24.84	2	\$49.68	Monthly Serv. Chg.	\$23.21	2	\$46.42
Tier 1	\$2.4815	12	\$29.78	Tier 1	\$2.8013	12	\$33.62
Tier 2	\$4.2825	6	\$25.70	Tier 2	\$4.8343	6	\$29.01
CAP Surch	\$0.1203	18	\$2.17	CAP Surch	\$0.1201	18	\$2.16
Subtotal			\$107.33	Subtotal			\$111.21
CPUC Fee	1.43%		\$1.53	CPUC Fee	1.43%		\$1.59
Subtotal			\$108.86	Subtotal			\$112.80
SJ Util Tax	5%		\$5.44	SJ Util Tax	5%		\$5.64
Total			\$114.30	Total			\$118.44

The increase in the average single-family customer bill is \$4.14 (3.6%) over a two-month billing period. The annual increase for the same customer would be \$24.84 (3.6%).

The table below shows the comparison for CAP participants, with all other factors being the same.

Bill Comparison – CAP Participant
Average Single-Family Residential Customer with ¾” x ¾” Meter
Using 9 ccfs per Month

At Current Rates				At Requested Rates			
Item	Amount	Units	Total	Item	Amount	Units	Total
Monthly Serv. Chg.	\$12.42	2	\$24.84	Monthly Serv. Chg.	\$11.61	2	\$23.32
Tier 1	\$2.4815	12	\$29.78	Tier 1	\$2.8013	12	\$33.62
Tier 2	\$4.2825	6	\$25.70	Tier 2	\$4.8343	6	\$29.01
Subtotal			\$80.32	Subtotal			\$85.95
CPUC Fee	1.43%		\$1.15	CPUC Fee	1.43%		\$1.23
Subtotal			\$81.47	Subtotal			\$87.18
SJ Util Tax	5%		\$4.07	SJ Util Tax	5%		\$4.36
Total			\$85.54	Total			\$91.54

