

**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

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**GREAT OAKS WATER COMPANY'S
REBUTTAL TESTIMONY**

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Great Oaks Water Company Witnesses and Rebuttal Testimony	
Witness	Rebuttal Testimony
Timothy S. Guster	I.A.; II.A; II.B.1, 2,3, and 5; II.C. – II.G.; II.H.1 and 3; II.I.; II.J.1, 2, 3, 4, 5, and 8; II.K.1 – 8; II.L.; II.M.1 and 2; II.O; II.P.1 and 2; II.R.1, 2, and 3; II.S.1, 2, and 3; III.
Ron Ceolla	II.J.1, 2, 3, 6, and 7; II.K.1 and 5; II.M.1, 4, 5, 6, 7, and 8; II.N.; II.P.1 and 2; II.Q.; II.R.; II.S.1, 2, and 3.
Jared Ajlouny	II.B.4; II.M.2 and 3.
Jim Mashburn	II.F.
John Roeder	II.H.1 and 2
Chris Hall	II.J.4.

Rebuttal Appendix

Cal Advocates Response to Great Oaks Water Company Data Request DR-1

Great Oaks Water Company Response to Data Request CR8-001
GOWC CR8-001(2)(Service Count Active 03312021)(excel file)

Great Oaks Water Company Response to Data Request DG-006
GOWC DG-006(2b)(Exterior Coatings – Storage Tanks Photos)

Great Oaks Water Company Response to Data Request DG-009

Rebuttal Workpapers (excel file)

I. Introduction to Great Oaks Water Company’s Rebuttal Testimony

On November 19, 2021, the Public Advocates Office (Cal Advocates) served its Report on Great Oaks Water Company’s Fiscal Test Year 2022-2023 General Rate Case Application (Cal Advocates Report). The Cal Advocates Report constitutes the testimony of Cal Advocates in this proceeding. In the following pages, Great Oaks Water Company (Great Oaks)¹ provides its Rebuttal to the Cal Advocates Report.

A. Overview of the Cal Advocates Report and Great Oaks’ Rebuttal

Cal Advocates is tasked with representing and advocating on behalf of the interests of utility customers before the California Public Utilities Commission (Commission).² In this proceeding, Cal Advocates has not made the effort to learn or try to understand the interests of Great Oaks’ customers in general or in regard to Great Oaks Application.

Great Oaks submitted the following data request to Cal Advocates and Cal Advocates provided the following response:

5. Did Cal Advocates communicate with any Great Oaks customers regarding any issue presented in Application 21-07-001?

Response to Q5: Objection. The question is not relevant to the proceeding and goes beyond the scope of Cal Advocates’ testimony. Without waiving its objections, Cal Advocates responds with the following: No.³

As to the objection raised, it is a stunning admission by Cal Advocates that it does not consider Great Oaks customers’ interests on any issue in Great Oaks’ Application 21-07-001 to be relevant. If Cal Advocates does not consider customer interests to be relevant, Cal Advocates does not represent those customers.

¹ Cal Advocates often refers to Great Oaks in its Report as “GOWC.”

² Public Utilities Code Section 309.5(a).

³ Public Advocates Office Response to Data Request DR-1, Question 5 (emphasis added). A copy of this document is provided in the Appendix to this Rebuttal Testimony.

On the other hand, the statement in the objection is true that the interests of Great Oaks' customers in issues raised in A.21-07-001 are "beyond the scope of Cal Advocates' testimony," since Cal Advocates did not consider the interests of Great Oaks' customers for any aspect of its testimony.

The fact is that Cal Advocates' testimony does not represent the interests of Great Oaks' customers in this proceeding. Instead, Cal Advocates' testimony is nothing more than the opinions of the various Cal Advocates witnesses on the issues in the Application.

This is a recurring problem with Cal Advocates' approach to Great Oaks' general rate case applications as, similarly, Cal Advocates also made no effort to learn of Great Oaks' customer interests in the 2018 general rate case proceedings. Great Oaks recommends Cal Advocates changes its method to include a consideration of actual customer interests and reduce reliance upon unfounded assumptions about customer concerns.

This tactic becomes even more concerning when the qualifications and experience of the Cal Advocates witnesses are considered. When asked for the experience of each Cal Advocates witness making recommendations pertaining to Great Oaks' Application, Cal Advocates merely referenced the "Qualifications" documents provided in Attachments to the Cal Advocates Report.⁴ But when those "Qualifications" are examined, it becomes very clear that none of the Cal Advocates witnesses have any relevant experience or special expertise upon which to offer opinions on the issues presented in A.21-07-001.

Based upon the limited information provided, it is clear that not one of the Cal Advocates witnesses is or could be qualified as an "expert" on any of the issues in A.21-07-001. And while the technical rules of evidence "need not be applied"⁵ in hearings before the Commission, the technical rules of evidence should not be ignored altogether, especially in the context of what is considered to be "relevant

⁴ Public Advocates Office Response to Data Request DR-1, Question 7.

⁵ Rule 13.6, Commission Rules of Practice and Procedure.

evidence.”⁶ Evidence Code Section 210 defines “relevant evidence” as “evidence, including evidence relevant to the credibility of a witness or hearsay declarant, having any tendency in reason to prove or disprove any disputed fact that is of consequence to the determination of the action.” What this means is that the qualifications of a witness, or as in this proceeding, the lack of qualifications of a witness, are important to consider in the context of whether the testimony of the witnesses has a tendency to prove or disprove a disputed fact. As a practical matter, whenever a Cal Advocates’ witness lacks knowledge and experience on the subject of his or her testimony, this means that their testimony very likely has no tendency to prove or disprove a disputed fact, rendering their testimony irrelevant and, therefore, inadmissible (or at least inappropriate for consideration on the issue). Great Oaks will discuss the qualifications of Cal Advocates’ witnesses and their testimony, as necessary, in the context of each issue addressed in this Rebuttal.⁷

The failure of Cal Advocates to learn or even attempt to learn of any concerns of Great Oaks’ customers, combined with the lack of relevant experience and expertise of the Cal Advocates witnesses, has an unfortunate, but very real impact on Cal Advocates testimony. But this is not the only problem with Cal Advocates Report. On some issues, Cal Advocates’ analysis and recommendations deviate from Commission orders and adopted methodologies. On other issues, Cal Advocates witnesses utilize erroneous assumptions as the basis for their recommendations. And on still other issues, Cal Advocates simply misunderstand the facts that have been provided to them in Great Oaks’ Application and responses to Cal Advocates Data Requests. As needed, Great Oaks’ Rebuttal discusses how these flaws affect the opinions rendered by Cal Advocates on the issues.

⁶ The word “relevant” is emphasized here because Cal Advocates’ objection to Question 5 of Great Oaks’ Data Request states that only matters “relevant” to this proceeding should be considered. The definition of what is “relevant evidence” in Evidence Code Section 210 should, therefore, determine what is or is not to be considered and, ultimately, determined admissible in this proceeding.

⁷ Great Oaks also reserves the right to move for the exclusion of certain testimony provided by the Cal Advocates witnesses should this matter proceed to evidentiary hearings.

Finally, Great Oaks' Rebuttal is presented in the same basic order as the Cal Advocates Report for convenience and ease of reference.

II. Great Oaks' Rebuttal Testimony

A. Rebuttal to the Cal Advocates' Conservation Testimony

The first issues discussed in the Cal Advocates Report was Great Oaks' proposed "conservation budget which funds its WaterSmart Program costs."⁸ In its Application, Great Oaks proposed Test Year 2022/2023 costs of \$144,500 in Account 798 Outside Services for the WaterSmart Program.⁹ In the most recently completed rate year (2020/2021), Great Oaks incurred \$105,658 in WaterSmart Program expenses. The increase in projected WaterSmart Program expenses is due to the addition of WaterSmart Reports to 5,000 more customers at WaterSmart's quoted pricing.¹⁰ Cal Advocates appears to support including the additional 5,000 customers in the WaterSmart Program, but then recommends that WaterSmart Program budget be cut to a level that is below current expenses. Cal Advocates' recommendation in this regard makes no sense and is contrary to the facts.

Cal Advocates' position on the WaterSmart expenses is based upon a number of erroneous assumptions and conclusions. First, Cal Advocates apparently believes that Great Oaks does not promote electronic reports over paper reports. Cal Advocates even demands that the Commission should require Great Oaks to do so.¹¹ In this regard, Cal Advocates' testimony ignores information provided by Great Oaks to Cal Advocates on this issue and is misleading as a result.

Great Oaks does not determine how its customers receive WaterSmart Reports. "Customers determine how they wish to receive the WaterSmart

⁸ Cal Advocates Report, at pp. 2-1 to 2-6.

⁹ A.21-07-001, Exhibit D Report on Results of Operations, Chapter 9 Conservation and Efficiency, at pp. 9-1 to 9-3. Note: The Cal Advocates Report erroneously cites to Chapter 4 of Great Oaks' Report on Results of Operations for this information. See Cal Advocates Report, at p. 2-2, footnote 23.

¹⁰ *Id.*

¹¹ Cal Advocates Report, at p. 2-4.

Reports.”¹² Cal Advocates even ignored the fact that Great Oaks has provided its customers the opportunity to choose if they would prefer printed or emailed reports.¹³ The effect of Cal Advocates’ recommendations on the WaterSmart Program would be to not just ignore what Great Oaks’ customers want, but to deny Great Oaks’ customers what they want. This is the exact opposite of representing the interests of customers.

Based upon customer choice, at present, of the 16,250 customers receiving WaterSmart Reports, 89.3% receive printed reports and 10.7% receive only email reports.¹⁴ Of the 14,506 customers who receive the printed reports, 6,224 have chosen to also receive email reports. Cal Advocates wants to deny these 6,224 customers their chosen method of receiving reports and override their choices so that they only receive email reports. Moreover, Cal Advocates wants to deny 1,915 (38.3%) of the 5,000 additional customers who will be receiving WaterSmart Reports for the first time the ability to choose both print and email reports. This is the sort of result that is achieved when Cal Advocates does not take the time to find out what Great Oaks’ customers truly want. Cal Advocates’ recommendation to deny Great Oaks’ customers the ability to choose how to receive WaterSmart Reports should be rejected.

Cal Advocates also challenges the three percent (3%) per year cost increases for WaterSmart Reports (from the WaterSmart price quote). Considering that the Cal Advocates witness on this issue has zero experience in any aspect of business and has only been with Cal Advocates since 2019, the witness has no experience or credibility dealing with inflation and business operations.¹⁵ In reality, non-labor inflation is over 11% at present,¹⁶ and a 3% price increase per year is certainly not

¹² Cal Advocates Report, Attachment 11-2 (Great Oaks’ response to Data Request NMH-008, Question 2.c.).

¹³ *Id.* (Great Oaks’ response to Data Request NMH-008, Question 2.d.).

¹⁴ Cal Advocates Report, at p. 2-3.

¹⁵ Cal Advocates Report, Attachment 1-1.

¹⁶ *See*, November 15, 2021 Public Advocates Office October 2021 Escalation Memo.

extravagant or out of line. Cal Advocates’ proposed annual increase is at a 2.1% level, although there is no inflation factor cited for this rate.¹⁷

Great Oaks has adjusted its projected Account 798 Outside Services expenses for Test Year 2022/2023 to remove the normal escalation factor from the costs of the WaterSmart Program.¹⁸ The projected costs of the WaterSmart Program should be adopted in the following amounts based upon the WaterSmart price quote provided: Test Year 2022/2023: \$144,500; Escalation Year 2023/2024: \$148,878; and Attrition Year 2024/2025: \$153,272.

B. Rebuttal to the Cal Advocates’ Testimony on Customer Forecasts

The next issue addressed in the Cal Advocates Testimony is Customer Growth/Customer Forecasts. For Test Year 2022/2023, Cal Advocates forecasts more customers in several categories than in Great Oaks’ original customer forecast. Rebuttal Table 1 shows the differences between Great Oaks’ original customer forecasts and Cal Advocates’ customer forecasts for Test Year 2022/2023.

**Rebuttal Table 1
Great Oaks vs. Cal Advocates
Original Test Year Customer Forecasts**

Customer Class	Great Oaks Forecast	Cal Advocates Forecast	Difference
SFR	20,050	20,135	+85
MFR	645	641	-4
Business	297	329	+32
Industrial	56	54	-2
Public Authority	145	148	+3
Schools	44	44	0
Private Landscape	238	239	+1
Total	21,475	21,590	+115
Agriculture	8	10	+2

As discussed below, the differences between the Great Oaks and Cal Advocates customer forecasts are due to different methodologies used by each to arrive at the forecasts. In addition, Cal Advocates used customer counts from the full 2020/2021 rate year in its forecasts, whereas such data was not available when Great Oaks submitted its original forecast with the Application. In this Rebuttal

¹⁷ Cal Advocates Report, at p. 2-3 (Table 2-2).

¹⁸ See Great Oaks Rebuttal Workpapers, WP-6 A&G Expenses, Cell K19.

testimony, Great Oaks discusses the different methodologies used and updates its customer forecasts to utilize full 2020/2021 customer count data and more recent service area “development” information. Great Oaks requests that its updated customer forecasts be adopted for Test Year 2022/2023.

1. Comparison of Methodologies Used by Great Oaks and Cal Advocates.

In its testimony on customer and water sales forecasts, Cal Advocates states: “The customer growth and sales forecasts should be as accurate as possible, since any over or under forecasts spread GOWC’s revenue requirement over more or less customers and sales than GOWC will actually have. Doing so leads to inaccurate customer rates that may result in under or over collection of revenue.”¹⁹ Great Oaks agrees with these statements and that is precisely why Cal Advocates’ recommendation on customer forecasts should not be used.

Cal Advocates’ criticism of Great Oaks’ customer forecast was limited to whether Great Oaks complied with the methodology adopted in Commission Decision (D.) 07-05-062, with Cal Advocates arguing that using the most recent five-year average of customers to forecast customer numbers for Test Year 2022/2023 is the only proper way to forecast customers.²⁰ Cal Advocates did not challenge the growth trend data presented by Great Oaks and instead simply argued it was not the proper way to forecast customers.

In preparing its testimony, Cal Advocates apparently forgot that the Commission, in D.20-08-047, ordered the Class A utilities to consider additional factors beyond those in D.07-05-062 when forecasting customers in their next general rate cases.²¹

As first noted above, Cal Advocates claims that it is in favor of accurate forecasts. Accuracy in forecasting is the reason the Commission required “new” factors to be considered. So, in this context and contrary to Cal Advocates’

¹⁹ Cal Advocates Report, at p. 3-1.

²⁰ *Id.*, at p. 3-4.

²¹ See D.20-08-047, at p. 51 and Ordering Paragraph 1 at pp. 105-106 (cited in Great Oaks’ Exhibit D, Chapter 4, at p. 4-4).

argument, Great Oaks complied with the Commission's new directive to improve forecasting accuracy, while Cal Advocates did not. Likewise, Great Oaks' customer and water sales forecasts considered all of the "new" factors required by D.20-08-047, while Cal Advocates' analysis did not.

The differences between Great Oaks' and Cal Advocates' customer forecasts are not large, but they are significant. Accepting Cal Advocates' forecast and ignoring the nearly stagnant customer growth in Great Oaks' service in the most recent years, as well as the lack of the housing development necessary to produce the number of customers Cal Advocates projects, would result in an under-collection of fixed costs and deny Great Oaks its right to legal recover the costs of providing water service.

Both Great Oaks and Cal Advocates utilize a rate design that provides for the recovery of 75% of Great Oaks' fixed costs through the monthly service (meter) charges.²² Cal Advocates' over-estimation of the number of customers, and therefore the number of active metered services, serves only two purposes, neither of which is valid: (1) artificially lowering service charges by spreading fixed cost recovery over more services, some of which will not exist; and (2) denying full recovery of fixed costs because non-existent customers do not pay service charges. Accurate forecasting of customers and services is the Commission wants, not overblown, inaccurate forecasts offered simply to reduce rates.

Great Oaks requests that its customer forecasts be adopted so that Great Oaks will fully recover its fixed costs through service charge revenues.

2. Rebuttal Testimony on Trends and Customer Counts.

Cal Advocates complains that Great Oaks did not use a five-year average to forecast customers for the Test Year as required under D.07-05-062.²³ Great Oaks' customer forecasts utilized not only "a five-year average of the change in the

²² Great Oaks' rate calculations are based upon current rate design for meter service charges. Cal Advocates does not challenge this or propose any changes to this rate design. *See, e.g.*, Rebuttal Workpapers, at WP-47.

²³ Cal Advocates Report, at p. 3-4.

number of customers by customer class,” as referenced in D.07-05-062, and also used additional and more recent data showing that customer growth has slowed considerably throughout Great Oaks’ service area, all in compliance with D.20-08-047’s mandate to consider “new” factors.

In Table 4-7 of Great Oaks’ testimony,²⁴ Great Oaks provided customer growth trends for the period from 2011 to 2020 (rate years 2011/2012 through 2019/2020), the period from 2015 to 2020 (rate years 2015/2016 through 2019/2020), and for the period from 2017 to 2020 (rate years 2017/2018 through 2019/2020). This analysis of customer growth rates showed that the growth rates across all customer classes has slowed considerably in the last several years. This is precisely the kind of analysis contemplated in D.07-05-062, as well as in D.20-08-047 which required the consideration of “new” factors, including “changes in customer counts.”²⁵

In its original testimony on customer and water sales forecasts, Great Oaks did not use data from rate year 2020/2021 because data for the full rate year was not then available.²⁶ Cal Advocates’ testimony, however, does attempt to incorporate customer and water sales data from rate year 2020/2021, so Great Oaks’ rebuttal testimony will incorporate rate year 2020/2021 data as well.

In rate year 2020/2021, customer growth remained fairly stagnant. Rebuttal Table 2 below shows average customer counts for rate years 2019/2020 and 2020/2021.

²⁴ See, Great Oaks’ Exhibit D Report on Results of Operations, Chapter 4 Water Sales Forecast, at pp. 4-16.

²⁵ D.20-08-047, at p. 50;

²⁶ Great Oaks submitted A.21-07-001 on July 1, 2021. Rate year 2020/2021 ended on June 30, 2021, making full data for rate year 2020/2021 unavailable at the time of filing.

Rebuttal Table 2
Average Number of Customers Per Class
Rate Years 2019/2020 and 2020/2021

Customer Class	Rate Year 2019/2020	Rate Year 2020/2021	Difference
SFR	19,964	19,991	+27 (0.1%)
MFR	621	628	+7 (1.1%)
Business	293	303	+10 (3.4%)
Industrial	54	55	+1 (1.9%)
Public Authority	146	147	+1 (0.7%)
Schools	44	44	0 (0%)
Private Landscape	233	236	+3 (1.3%)
Total	21,355	21,404	+49 (0.2%)
Agriculture	8	8	0 (0%)

Rebuttal Table 3 below compares Great Oaks’ rate year 2020/2021 projection from its original testimony to the actual average numbers of customers in each class.

Rebuttal Table 3
Comparison of Great Oaks’ Projected 2020/2021 Customer
Averages to Actual Customer Averages

Customer Class	Great Oaks’ Projected Average Customers	Actual Average Customers	Difference
SFR	19,990	19,991	+1
MFR	629	628	-1
Business	291	303	+12
Industrial	55	55	0
Public Authority	147	147	0
Schools	44	44	0
Private Landscape	235	236	+1
Total	21,391	21,404	+13
Agriculture	8	8	0

The data from rate year 2020/2021 shows that Great Oaks’ methodology is generally sound. The growth rate for the number of Business class customers is the only anomaly in the past year. Rebuttal Table 4 below shows how the rate year 2020/2021 growth rate changes the growth rates for the last five years and the last three years.

**Rebuttal Table 4
Comparison of Recent Growth Rate Trends**

Customer Class	2018/2019 Averages	2019/2020 Averages	2020/2021 Averages	Average Growth Rate
SFR	19,929	19,964	19,991	0.16%
MFR	609	621	628	1.55%
Business	290	293	303	2.22%
Industrial	54	54	55	0.93%
Public Authority	147	146	147	0.00%
Schools	44	44	44	0.00%
Priv. Landscape	230	233	236	1.30%
Totals	21,303	21,355	21,404	0.24%
Agriculture	7	8	8	7.14%

Using the Average Growth Rates from the past three rate years provides a more accurate and more realistic method of projecting customer counts than a five-year or longer average because of the lack of development in the Great Oaks service area. The lack of development in the Great Oaks service area was not considered by Cal Advocates in its analysis and Cal Advocates' customer count projections are higher than Great Oaks' projections as a result.

The following Rebuttal Table 5 presents Great Oaks' rebuttal testimony customer projections. This table replaces Table 4-8 Projected Customer Counts in its Chapter 4 Water Sales Forecast. The only difference between the two projection tables is the inclusion of customer counts from rate year 2020/2021 and the corresponding shift of the most recent three years of data from the 2017 to 2020 rate years to the 2018 to 2021 rate years.

**Rebuttal Table 5
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
Public Authority	147	147	147	147
Schools	44	44	44	44
Priv. Landscape	239	242	245	248
Totals	21,457	21,510	21,563	21,616
Agriculture	8	8	8	8

Rebuttal Table 6 compares Great Oaks’ and Cal Advocates customer count projections for Test Year 2022/2023 and may be compared directly to Cal Advocates’ Table 3-5.²⁷

**Rebuttal Table 6
Comparison of Test Year 2022/2023 Customer Counts**

Customer Class	Great Oaks Projection	Cal Advocates Projection	Difference Cal Adv vs GOWC
SFR	20,055	20,135	+80
MFR	648	641	-7
Business	317	329	+12
Industrial	57	54	-3
Public Authority	147	148	+1
Schools	44	44	0
Priv. Landscape	242	239	-3
Totals	21,510	21,590	+80
Agriculture	8	10	+2

Great Oaks’ Rebuttal customer projections for Test Year 2022/2023 narrows the gap between Great Oaks’ and Cal Advocates’ projections by 35 total customers (not including agricultural customers, which are addressed below). The biggest difference remains in Single-Family Residential customer projections, which is fully explained by Cal Advocates’ omission of recent trending data and its failure to consider that there is no significant ssingle-family residential housing development ongoing or planned in Great Oaks’ service area to generate the new customers projected by Cal Advocates. Great Oaks believes that had Cal Advocates fully considered the lack of single-family housing development in Great Oaks’ service area, the two forecasts would be more in alignment with one another.

3. Rebuttal Testimony – Agricultural Customers.

Cal Advocates argues that two additional agricultural customers should be added to the Test Year 2022/2023 customer forecast because in a response to a data request Great Oaks stated that two new customers added in 2021 brought the total number of agricultural customers to ten (10).²⁸ But, what Cal Advocates chose not to disclose was that in Great Oaks’ response to the same data request, Great Oaks

²⁷ Cal Advocates Report, at p. 3-6.

²⁸ *Id.*, at p. 3-8.

provided information showing that as of March 31, 2021, there were only seven active (7) agricultural services, not 10.²⁹

As of the date of this Rebuttal Testimony, there are a total of eight (8) active agricultural customers in Great Oaks' service area. There have never been ten agricultural customers in the service area since Great Oaks started counting agricultural customers. Cal Advocates' forecast of ten agricultural customers is inaccurate and based upon an apparent misunderstanding of the data provided to Cal Advocates by Great Oaks. Great Oaks' forecast of eight agricultural customers should be adopted, as it is both current and accurate.

4. Rebuttal Testimony – Private Fire Customers.

Cal Advocates' projected number of private fire protection customers for Test Year 2022/2023 includes 18 additional service connections based upon Cal Advocates' assumption that all construction projects under consideration will be completed by the beginning of the Test Year.³⁰ Cal Advocates did not make any effort to learn whether these construction projects will actually be completed by the Test Year.

In reality, of the three construction projects shown in Cal Advocates' Table 3-6 (page 3-9 of the Cal Advocates Report), only the first two projects are expected to be completed by the beginning of Test Year 2022/2023 – the China Mobil project with two (2) private fire connections and the 393 Blossom Hill Road project with one private fire connection. Jared Ajlouny, Great Oaks' Vice President of Operations and Director of Construction, has verified that the Tri-Point Homes project and its planned 15 private fire protection service connections will not be completed by that time and is, in fact, on an indefinite hold.

Using this information, Great Oaks revises its projected number of projected private fire protection services for Test Year 2022/2023 and beyond, as shown in Rebuttal Table 7, below.

²⁹ See Rebuttal Appendix for document GOWC CR8-001(2)(Service Count Active 03312021) showing the number of active services as of March 31, 2021.

³⁰ Cal Advocates Report, at p. 3-9.

Rebuttal Table 7
Projected Private Fire Protection Services

Rate Year 2021/2022	Test Year 2022/2023	Escalation Year 2023/2024	Attrition Year 2024/2025
343	350	354	358

Great Oaks’ projected number of private fire protection services for each year in this General Rate Case cycle is based upon both the slow growth trends in the service area and actual information on construction projects that will and will not be completed for the Test Year and beyond. Cal Advocates’ projections are based upon assumptions that have been shown not to be true. Great Oaks requests that its forecasted private fire protection services be adopted as part of its customer and sales forecasts.

5. Rebuttal Testimony on Meter Size Distribution.

Cal Advocates’ testimony on meter size distribution admittedly is based upon the distribution of meter sizes among Great Oaks’ customers as of July 2021.³¹ Great Oaks’ meter size distribution testimony was based upon the trending from prior years’ meter counts and Great Oaks’ ongoing meter replacement program.³² The meter replacement program includes the replacement of old 5/8-inch meters with new 3/4"-inch meters, which then both reduces the number of 5/8-inch meters and increases the number of 3/4-inch meters. Cal Advocates’ failure to consider Great Oaks’ active meter replacement program renders Cal Advocates projected meter size distributions inaccurate because older 5/8-inch meters are being replaced by larger, primarily 3/4-inch meters. It is necessary to factor into the meter size projections that Great Oaks will be replacing 5/8-inch meters with 3/4-inch meters and that all new single-family residential customer service connections will be 3/4-inch meters.

Rebuttal Table 8, below, incorporates Great Oaks projected number of customers in all classes for rate year 2021/2021, Test Year 2022/2023, Escalation Year 2023/2024, and Attrition Year 2024/2025 with meters sizes. Included within

³¹ *Id.*, at p. 3-9.

³² Great Oaks’ Exhibit D, Chapter 4, at pp. 4-17 to 4-18.

the projection is the replacement of a number of older 5/8-inch meters with 3/4-inch meters each year as part of the meter replacement program

**Rebuttal Table 8
Projected Meter Size Distribution**

Meter Size	RY 2021/2022	TY 2022/2023	EY 2023/2024	AY 2024/2025
5/8-inch	5,656	5,646	5,636	6,626
3/4-inch	13,850	13,916	13,963	14,020
1-inch	987	990	993	996
1.5-inch	361	363	365	367
2-inch	476	477	478	479
3-inch	66	67	67	67
4-inch	47	47	47	47
6-inch	11	11	11	11
8-inch	8	8	8	8
10-inch	3	3	3	3
Totals	21,645	21,518	21,571	21,624

Great Oaks requests that its proposed meter size distribution be adopted because it more accurately reflects the reality of both the current meter distribution and the impacts of Great Oaks’ meter replacement program. Just as with all other aspects of Great Oaks’ projections, accuracy is the desired end result.

C. Rebuttal to the Cal Advocates’ Testimony on Water Sales Forecasts

Great Oaks’ water sales forecast was prepared prior to the implementation of mandatory water conservation measures due to the current water shortage emergency declared by the Santa Clara Valley Water District. Cal Advocates’ water sales forecast proposes to take into account the fact that since Great Oaks’ water sales forecast was proposed, mandatory water conservation measures have been adopted through Great Oaks’ Advice Letter 301-W. Great Oaks is in agreement that the mandatory water conservation measures now in effect should be considered and incorporated into the water sales forecast.

Utilizing Cal Advocates’ methodology, combined with Great Oaks’ customer forecast, Rebuttal Table 9, below, provides Great Oaks’ updated rebuttal water sales forecast. The differences between Great Oaks’ and Cal Advocates’ water sales forecasts are purely the result of different customer forecasts. Great Oaks requests that both its customer and water sales forecasts be adopted in this proceeding.

**Rebuttal Table 9
Great Oaks Rebuttal Water Sales Forecast (ccf)
Test Year 2022/2023**

Customer Class	Great Oaks Customer Projections	Cal Advocates Recommended Usage	Total Sales (ccf)
SFR	20,055	103.17	2,069,074.35
MFR	648	1,358.22	880,126.56
Business	317	1,101.23	349,089.91
Industrial	57	1,261.26	71,891.82
Public Authority	147	1,230.18	180,836.46
Schools	44	2,915.07	128,263.08
Private Landscape	242	984.63	238,280.46
Agriculture	8	181.02	1,448.16
Totals	21,518		3,919,010.8

D. Rebuttal to the Cal Advocates’ Testimony on Revenues

Great Oaks defers its rebuttal testimony on revenues until after it addresses the Cal Advocates’ testimony on fixed and variable costs. See Section R, below.

E. Rebuttal to the Cal Advocates’ Testimony on the Proposed Sales Reconciliation Mechanism

Sales Reconciliation Mechanisms, or SRMs, are tools designed to close the gap between forecasted water sales and actual water sales by adjusting future water sales forecasts so that they conform more closely with actual water sales. The result of using an SRM is a more accurate water sales forecast and correspondingly more accurate rates. The Commission, in D.16-12-026, authorized Class A and B water utilities to file proposals in their next general rate case applications to institute an SRM to reduce Water Revenue Adjustment Mechanism (WRAM) balances and surcharges and provide timely cost information to customers.³³

Great Oaks does not now, nor has it ever had a WRAM, but it does now have a Conservation Lost Revenue Memorandum Account that serves the same essential purpose.³⁴ In its SRM proposal, Great Oaks stated:

the SRM would also be responsive to new conservation measures that may be imposed to address the current

³³ D.16-12-026, Ordering Paragraph 4, at pp. 84 – 85.

³⁴ Great Oaks’ Conservation Lost Revenue Memorandum Account was authorized through Advice Letter 302-W-A, with an effective date of June 9, 2021.

drought conditions. Already the outlook for 2021 is rather bleak, but the local and State government agencies with the authority to imposed drought-related conservation measures have not yet done so. Should such measures be implemented, the SRM would not just make water sales forecasts for the period covered by this application more accurate, the SRM would also reduce conservation lost revenues recorded in a drought-related memorandum account (as was done during the last drought period) and any necessary collections of the revenue losses from Great Oaks' customers (as was authorized in the last drought).

The proposed SRM will be responsive to material changes in customer usage and result in more accurate ratesetting in between General Rate Cases and will comport with D.20-08-047's finding that more accurate water sales forecasts the provide water utilities with the opportunity to earn a reasonable rate of return are needed to address the increasing risk of drought as a component of climate change.³⁵

Cal Advocates opposes Great Oaks' SRM proposal, calling SRM's a "flawed and faulty ratemaking mechanism in general."³⁶ Cal Advocates, without citing any proof whatsoever, says that SRMs "that allow rate increases outside of the GRC process decrease the transparency of customer rate and bill impacts."³⁷ This is the same tired nonsense Cal Advocates spouts about nearly every non-GRC ratesetting procedure authorized by the Commission, despite all of the notice requirements that currently exist. But, here, Cal Advocates takes their baseless criticism to another, lower level, claiming that SRMs "are merely a way for water utilities to exercise their monopoly power."³⁸ When or if Cal Advocates finds evidence to support its argument, Great Oaks respectfully requests that Cal Advocates send it over to Great Oaks. Great Oaks expects it will be a long, potentially forever wait until anything happens in this regard.

³⁵ Great Oaks' Exhibit D, Chapter 4, at pp. 4-12 to 4-13.

³⁶ Cal Advocates Report, at p. 3-22.

³⁷ *Id.*

³⁸ *Id.*, at p. 3-23.

Given that Cal Advocates made no effort to learn anything about Great Oaks' customers and their concerns, Cal Advocates' complaints about SRMs harming customers and only benefitting utilities have no basis in fact. Great Oaks requests that its SRM proposal be adopted so that material changes in sales are used to produce more accurate rates.

F. Rebuttal to the Cal Advocates' Testimony on Rate Design

Great Oaks will respond to some of the Cal Advocates testimony on rate design at this point but will defer its rebuttal on actual rates until after it addresses the Cal Advocates testimony on fixed and variable costs. The portion of the Cal Advocates testimony on rate design addresses Cal Advocates' general discussion of tiered rate design.

In Great Oaks' 2018 general rate case, the parties agreed to a settlement that included a tiered rate design developed by Cal Advocates. Cal Advocates claimed then (and now) that it knows how to calculate tiered rate design based upon past customer usage. That claim has yet to be proven true.

Cal Advocates' 2018 GRC tiered rate design proved to be disastrous for Great Oaks and its Great Oaks' customers, as it resulted in significant under-collections of revenues recorded in Great Oaks' Monterey-Style Water Revenue Adjustment Mechanism (M WRAM) account and five advice letter filings to amortize those under-collections through surcharges, as shown in Rebuttal Table 10, below.

**Rebuttal Table 10
Advice Letters and Surcharges Caused by
2018 GRC Tiered Rate Design**

Advice Letter	Effective Date	Amount Amortized	Surcharge
290-W	7/21/2020	\$1,286,102.16	\$0.2716 per ccf for 24 months
293-W-A	11/24/2020	\$635,933.50	\$\$0.2686 per ccf for 12 months
294-W	2/9/2021	\$465,739.02	\$0.1967 per ccf for 12 months
298-W	5/10/2021	\$515,706.63	\$0.2178 per ccf for 12 months
305-W	11/16/2021	\$643,514.31	\$0.2721 per ccf for 12 months
Totals		\$3,546,995.62	\$1.2268 per ccf

Great Oaks took the initiative to address the problems created by Cal Advocates’ tiered rate design and worked with Cal Advocates to correct the errors inherent in that rate design and a proposed Pilot Program Revision to the defective tiered rate design was presented in and approved through Great Oaks’ Advice Letter 299-W. The tiered rate design approved in Advice Letter 299-W is shown in Rebuttal Table 11, below.

Rebuttal Table 11
Current Tiered Rate Design Approved Through Advice Letter 299-W

Tier and Quantity per Billing Period	Uniform Rate Factor ³⁹	Quantity Charge Per CCF
1: 0 – 12 ccfs	0.7110	\$2.2915
2: 13 – 20 ccfs	1.2270	\$3.9546
3: Over 20 ccfs	1.4570	\$4.6959

Great Oaks’ Advice Letter 299-W also stated the following (with emphasis added), all of which was reviewed and approved by Cal Advocates before Advice Letter 299-W was filed:

Great Oaks and Cal PA have collaborated on this proposed rate design for the benefit of Great Oaks’ customers and respectfully request that the rate design shown in the table above and included in the attached tariff sheets be approved as a pilot program for Great Oaks’ rate year beginning July 1, 2021. Great Oaks and Cal PA will use the results of this pilot program to fine tune the rate design in Great Oaks’ 2021 GRC which will be filed July 1, 2021, with rates to be effective July 1, 2022.⁴⁰

Cal Advocates should have worked with Great Oaks as indicated in Advice Letter 299-W but made no effort to do so. Cal Advocates’ testimony on its proposed revision to the current tiered rate design is not based upon the “results of the pilot program” at all but is instead based upon an analysis of water sales under the old and defective tiered rate design from April 2020 through March 2021, all occurring

³⁹ The Uniform Rate Factor is the number that when multiplied by the uniform rate calculates the per ccf charge for the designated tier (e.g., 0.40 x \$3.2560 = \$1.3024).

⁴⁰ Great Oaks Water Company Advice Letter 299-W, at p. 6.

prior to conservation mandates, and without requesting any input from Great Oaks. Cal Advocates did not even ask Great Oaks how the new tiered rate design is performing in the all-important aspect of revenue recovery.

Had Cal Advocates worked with Great Oaks as promised, Cal Advocates would have learned that the new tiered rate design in effect since July 1, 2021 has materially decreased the under-collections recorded in Great Oaks’ M WRAM account. Rebuttal Table 12, below, shows the differences in under-collections recorded in Great Oaks’ M WRAM during comparable periods of time over the past three years. Clearly, the revisions to the former tiered rate design resulted in significant improvements.

Rebuttal Table 12
Comparison of M WRAM Under-Collections 2019 – 2021

9/3/2019 – 12/2/2019	9/2/2020 – 12/1/2020	9/2/2021 – 11/30/2021
-\$404,416.57	-\$466,753.07	\$-13,666.62

Great Oaks tested Cal Advocates’ proposed revision to the third-tier rate factor using the same 2021 billing data reflected in Rebuttal Table 12 to learn if Cal Advocates’ proposal would reduce the under-collections in the M WRAM account. If Cal Advocates’ proposed rate design was in effect for the September 2, 2021 to November 30, 2021 period, there would have been a larger under-collected balance of \$16,666.51 in the M WRAM account, an increase in under-collected revenues of approximately 22%. Even the small adjustment proposed by Cal Advocates to the current tiered rate design must be carefully considered before adoption. The facts show that, based upon actual water sales during a time period of mandatory water conservation measures, Cal Advocates’ proposed revision to the tiered rate design would make not improve revenue collection, but would instead make matters worse.

Great Oaks is open to looking at sensible revisions to the current rate design, but those revisions should reduce M WRAM account under-collections. Cal Advocates’ proposal would increase M WRAM account under-collections and should be rejected.

G. Rebuttal to the Cal Advocates’ Testimony on CAP Surcharge

The minor changes in customer and water sales forecasts in this rebuttal testimony requires a recalculation of the CAP surcharge that funds Great Oaks’ Customer Assistance Program. Both Great Oaks and Cal Advocates use the same methodology. The differences are the result of differences across customer, sales, and expense projections, all of which are addressed in this rebuttal testimony.

Rebuttal Table 13
Calculation of Test Year 2022/2023 CAP Surcharge

Meter Size	Monthly Charge	50% Discount	Yearly Discount	Participants*	Totals
5/8 x 3/4	\$15.89	\$7.95	\$95.34	1,136	\$108,306.24
3/4 x 3/4	\$23.84	\$11.92	\$143.04	2,257	\$322,841.28
1-inch	\$39.73	\$19.87	\$238.38	6	\$1,430.28
1.5-inch	\$79.45	\$39.73	\$476.70	3	\$1,430.10
			Total CAP Amount		\$434,007.90
			Divided by Non-CAP Sales		3,568,026
			CAP Surcharge per CCF		\$0.1216

H. Rebuttal to the Cal Advocates’ Testimony on Operations and Maintenance Expenses

Cal Advocates agrees that Great Oaks’ projected Operations and Maintenance Expenses are reasonable and appropriate for all categories except Account 700 Groundwater Charges, Account 726 Purchased Power, and Account 773 Customer Records and Customer Collections.⁴¹ Great Oaks’ rebuttal testimony addresses each in the same order.

1. Rebuttal Testimony on Account 700 Groundwater Charges.

In the Overview of the Cal Advocates Report and Great Oaks Rebuttal in Section I.A., above, Great Oaks pointed out the lack of experience and qualifications of the Cal Advocates witnesses. This obvious and undeniable weakness manifests itself in Cal Advocates’ testimony on Account 700 Groundwater Charges.

The Cal Advocates witness on the issue of Groundwater Charges has experience as a tax auditor with the California State Board of Equalization and as an office manager at a small non-profit organization, along with his experience with

⁴¹ Cal Advocates Report, at pp. 5-1 to 5-7.

Cal Advocates.⁴² The witness has no experience with Great Oaks before this general rate case. Entirely missing from the witness' qualifications is any experience and expertise in water utility groundwater production.

Demonstrating that lack of experience, rather than approach this issue from a realistic and operational perspective, the Cal Advocates' witness chose to adopt and rely upon a simplistic statistical analysis.⁴³ Cal Advocates' argument is factually weak and deficient and should not be accepted as the basis for any decision in this general rate case.

First, it needs to be made clear that Account 700 Groundwater Charges are the single-largest category of expense incurred by Great Oaks and has the biggest effect on rates. In rate year 2020/2021, Groundwater Charges represented 88.1% of total operating and maintenance expenses (\$10,573,481 out of \$11,996,468) and 51.4% of total expenses (\$10,573,481 out of \$20,583,791). Account 700 Groundwater Charges will remain the largest category of expenses faced by Great Oaks, especially with the projected increases in groundwater charges proposed by the Santa Clara Valley Water District.

In Rebuttal Table 14 below, Great Oaks shows the actual and projected groundwater charges levied by the Santa Clara Valley Water District for the past two rate years, the current rate year, and the three rate years included in this Application.⁴⁴ Note that the Santa Clara Valley Water District did not change groundwater charge rates from rate year 2019/2020 to 2020/2021 due to the pandemic and its economic effects (and Great Oaks did not change rates either).

⁴² Cal Advocates Report, Attachment 2-1.

⁴³ The Cal Advocates approach to this issue brings to mind the phrase: "There are three kinds of lies: lies, damn lies, and statistics."⁴³ Great Oaks is not accusing the Cal Advocates witness of lying by reference to this phrase. The phrase is describing the technique of using numbers to support otherwise factually weak or deficient arguments.

⁴⁴ The projected groundwater charges are included in Great Oaks' Exhibit E GRC Workpapers (all versions), on tab WP-14.

Rebuttal Table 14
Santa Clara Valley Water District Groundwater Charges
Actual and Projected

Rate Year	Zone W-2	% Change	Zone W-7	% Change
2019/2020	\$1,374		\$481	
2020/2021	\$1,374	0%	\$481	0%
2021/2022	\$1,506	+9.6%	\$531	+10.4%
2022/2023	\$1,650	+9/6%	\$585	+10.2%
2023/2024	\$1,809	+9.6%	\$645	+10.3%
2024/2025	\$1,983	+9.6%	\$712	+10.4%

Cal advocates summarizes its position on this issue in the first sentence of testimony.⁴⁵ But, contrary to Cal Advocates’ assertions, Great Oaks’ amount of projected groundwater charges for Test Year 2022/2023 is not a function of “relying on unsupported well zone percentages that are skewed towards more expensive water.”⁴⁶ That is a statement based upon no facts whatsoever.

Depending upon the circumstances of the available underground water supplies and operating conditions for each well, Great Oaks selects which wells it will use to meet customer demand. Great Oaks makes decisions about which wells to use at any given time by considering all relevant factors, including the applicable groundwater charge for each well. This method of operation has never failed to allow Great Oaks to meet customer demand, whether during times of abundant groundwater or times of groundwater scarcity due to droughts and groundwater management decisions by the Santa Clara Valley Water District.

Cal Advocates, on the other hand, suggests that the decision as to which wells Great Oaks uses to produce water is made purely on the relative groundwater charge rates in the two Zones where Great Oaks’ wells are located. This is false and there is no evidence whatsoever supporting Cal Advocates’ position.

Great Oaks’ method of producing water based upon local groundwater and well production realities provides a far more accurate forecast of Account 700 Groundwater Charges than Cal Advocates’ simplistic statistical analysis that takes

⁴⁵ Cal Advocates Report, at p. 5-2.

⁴⁶ *Id.*

none of those factors into account. The local groundwater conditions existing right now in Great Oaks' service area are influenced greatly by the fact that over the next ten years (or more) the Santa Clara Valley Water District will be constructing dam safety improvements to the Anderson Reservoir and Dam, Santa Clara County's largest reservoir.⁴⁷ This construction means that there will be no water stored in Anderson Reservoir for at least the next decade.

Water from the Anderson Reservoir is and has been the primary source of natural and managed groundwater recharge for the area where Great Oaks' groundwater wells are located, especially Zone W-7.⁴⁸ Without water from Anderson Reservoir, the Santa Clara Valley Water District has extremely limited resources to maintain groundwater levels in Zone W-7, in particular, and in Zone W-2, in general. Rather than being able to utilize water stored in the Anderson Reservoir for groundwater recharge operations, the Santa Clara Valley Water District must rely upon water it imports from the State Water Project to use for groundwater recharge.

Great Oaks warned of these concerns in its Report on Results of Operations,⁴⁹ but Cal Advocates made no mention of these facts in its testimony, opting instead to rely exclusively upon an overly simplistic statistical analysis that ignores important facts.

Operators of groundwater producing facilities, like Great Oaks, cannot afford to make decisions on incomplete and inadequate information such as that presented by Cal Advocates' witness. And Great Oaks does not believe the Commission would make decisions in this manner either. Decades of rational decision-making on where and when to produce water provides Great Oaks with a solid foundation for projecting groundwater charge expenses for Test Year 2022/2023 and beyond. Cal Advocates simply does not have this experience.

⁴⁷ Great Oaks Exhibit D, Chapter 5, at pp. 35 – 36.

⁴⁸ Water released from Anderson Reservoir into Coyote Creek is the primary managed groundwater recharge method used by the Santa Clara Valley Water District.

⁴⁹ *Id.*

In further support of Great Oaks’ use of important local knowledge for where to produce groundwater, recently – since the Cal Advocates Report was issued – California’s Department of Water Resources announced⁵⁰ that allocations from the State Water Project to water agencies (including the Santa Clara Valley Water District) for 2022 will be prioritized for health and safety water needs. This raises even greater concerns about the availability of water for groundwater recharge. Cal Advocates’ testimony on this topic fails to address any of these concerns and instead completely ignores the reality of the loss of Anderson Reservoir combined with the lack of water for groundwater recharge operations.

In light of the current conditions that materially affect groundwater conditions especially in the areas where Great Oaks’ Zone W-7 wells are located, it would be negligence if Great Oaks blindly assumed normal or increased production from its Zone W-7 wells. Yet that is exactly what Cal Advocates assumes and recommends.

Despite its complete reliance upon statistics for its analysis and recommendations, Cal Advocates ignored the most important statistic of all – actual Zone water production in the 2019/2020 rate year and 2020 calendar year, as compared to the agreed upon Zone water production from Great Oaks’ 2018 general rate case. In rate year 2019/2020, the agreed upon Zone production (adopted in the 2018 GRC settlement) was 56% Zone W-2 and 44% in Zone W-7. Actual Zone production during that rate year was 55.3% in Zone W-2 and 44.7% in Zone W-7.⁵¹ In calendar year 2020, which included six more months of drought conditions than rate year 2019/2020, the Zone production was 57.3% in Zone W-2 and 42.7% in Zone W-7.

Great Oaks’ past production estimates have proven to be accurate. Great Oaks has again employed the same methodology that takes all factors into account in its Test Year 2022/2023 projection of groundwater production, including the

⁵⁰ <https://water.ca.gov/News/News-Releases/2021/Dec-21/SWP-December-Allocation>.

⁵¹ To be fair, Cal Advocates does provide this data in Table 5-2 of its testimony, but that data is mixed with data from other time periods.

impacts of declining well production, the unavailability of Anderson Reservoir, and the drought, while Cal Advocates has not. Based upon past performance, Great Oaks' Test Year 2022/2023 projections for groundwater production and resulting groundwater charges will likely result in a more accurate forecast than Cal Advocates overly simplistic single-issue statistical method.

Great Oaks does expect the production from new Well 24a to have a positive impact on its ability to provide safe and reliable drinking water to Great Oaks' customers, but the full extent of that impact cannot be accurately predicted in light of the unavailability of normal groundwater recharge operations due to the Anderson Dam project and the drought. To the extent that Great Oaks is able to produce more than 56% of its total groundwater supplies from the Zone W-7 wells, Great Oaks' two groundwater charge balancing accounts provide ratepayer protection.

In the past, when Great Oaks has been able to produce more groundwater from Zone W-7 than is included in the rate calculations, Great Oaks has been able to provide refunds to its customers resulting from the groundwater charge savings Great Oaks was able to achieve.⁵² Cal Advocates might do well to keep in mind that Great Oaks does try to save money and passes those savings on to its customers. Great Oaks also has some of the most affordable water rates of any Commission-regulated water utility.⁵³

Changing the Zone W-2/Zone W-7 production ratio, as recommended by Cal Advocates, will have the high likelihood of producing under-collections in the groundwater charge balancing accounts and ultimately resulting in surcharges imposed upon Great Oaks' customers. Great Oaks' customers uniformly dislike

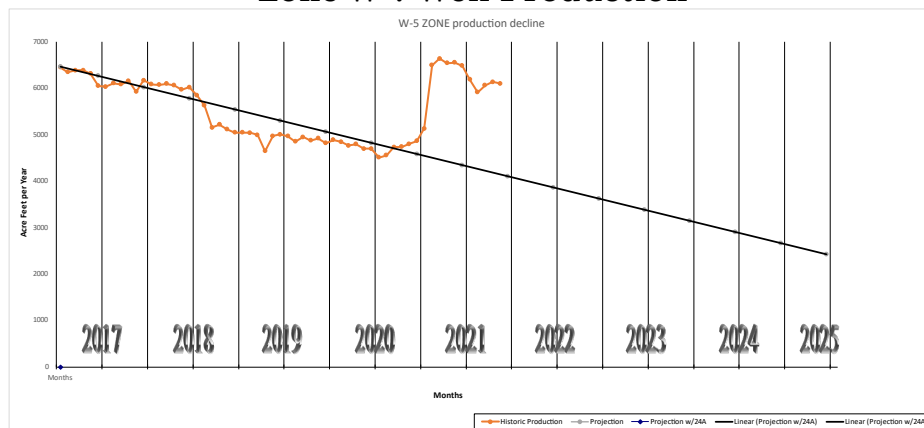
⁵² In 2017, Great Oaks refunded \$1,026,798.23 in over-collected groundwater charges to customers through Advice Letter 259-W. In 2020, Great Oaks refunded \$1,539,087.41 in over-collected groundwater charges to customers through Advice Letter 287-W-A. Both advice letters combined over- and under-collected balances from several accounts, including the groundwater charge balancing accounts. Cal Advocates did not protest either advice letter.

⁵³ See, e.g., 2019 Annual Affordability Report at pp. 52 – 67 (<https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/2019-annual-affordability-report.pdf>).

surcharges, as do most water customers. Cal Advocates should not ignore the known effects of its inaccurate statistical analyses.

In addition to all of the above, Great Oaks also considers the well production capacity of each of its wells whenever projecting Account 700 Groundwater Charges. Rebuttal Table 15, below, provides data highly relevant to Zone W-7 well production that was completely avoided in Cal Advocates' analysis.

Rebuttal Table 15
Zone W-7 Well Production



This graph shows that water production capacity in Zone W-7 had been declining steadily over the years until Well 24A was put into service in early 2021. Since Well 24A went into service, Zone W-7 water production has continued to decline. The groundwater recharge and Anderson Dam/Reservoir issues discussed above, including the need to reduce flow rates when groundwater levels drop,⁵⁴ will result in an even more rapid decline in production capacities for the Zone W-7 wells. Cal Advocates' testimony completely ignores these facts and instead is based solely upon its simplistic statistical analysis. An experience water system owner/operator would not employ such a careless approach on an issue as important as water supply.

Based upon all of the above, as well as the failure of Cal Advocates to consider all relevant factors, Great Oaks requests that its projected Account 700 Groundwater Charge expense projections be found reasonable and adopted.

⁵⁴ See Section H.2., below.

2. Rebuttal Testimony on Account 726 Purchased Power.

Cal Advocates disagrees with Great Oaks' estimate of 500 kWh/AF for power usage to produce and pump water and recommends 417 kWh/AF be adopted in coming years based upon a simple five-year statistical average. Cal Advocates argues that Great Oaks' estimate is without precedent in recent history. This is correct. However, Cal Advocates fails to mention that Great Oaks faces a water supply situation in the coming years that is also without precedent. Using an average of the last five years is not representative of the current state of groundwater levels or levels that are expected in the next three years.

Cal Advocates states: "Recorded kWh-per-AF fluctuates slightly from year-to-year and does not have a clear increasing or decreasing trend..."⁵⁵ This is incorrect. Power consumption since 2016 is clearly lower than in prior years, showing a downward trend over the past ten years of recorded data. Rebuttal Table 16 below.

Rebuttal Table 16
KWH/AF – Great Oaks Recorded Results

Year >	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
KWH/AF	453	441	455	463	439
Year >	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
KWH/AF	433	421	440	400	393

The power required to pump water is a function of efficiency of pumps as well as the depth from which water must be pumped. In 2016, groundwater levels rose substantially as the Santa Clara Valley Water District increased water recharge to raise groundwater levels, thereby reducing the power required to produce the water, as shown in the recorded results above. But the past groundwater conditions do not resemble future groundwater conditions.

Coyote Creek is the predominant source of groundwater recharge to the aquifers from which Great Oaks pumps. Coyote Creek runs out of Anderson Reservoir which has now been drained to begin the ten-year repair/reconstruction project of Anderson Dam referenced in Section H.1, above. The local drought conditions, the Anderson Dam project, and the statewide drought conditions which

⁵⁵ Cal Advocates Report, at pp. 5-4 to 5-5.

are resulting in minimal amounts of water being imported into Santa Clara County for groundwater recharge use must all be considered to provide the most accurate possible projection of purchased power expenses. Groundwater levels are going to decline, possibly at an increasingly rapid rate. This will drive purchased power costs up, possibly at an increasingly rapid rate. Cal Advocates' purely statistical analysis again fails to provide proper context and input for an accurate forecast.

Operationally, in addition to the extra power needed to pump/lift water from a greater depth, the pumps in many wells will be forced to run at a lower efficiency due to the need to reduce flow rates to prevent the pumping of air. As the pumping water level at a single well drops to the top of the well perforations, air is drawn into the water thereby creating a temporary "milky" water appearance. To date, however, this has not resulted in any water quality violations.

To prevent the groundwater pumping level from dropping too far too fast, the flow rate of the pump is reduced by partially closing the flow control valve which raises the pump head pressure and results in more power be used to pump a smaller amount of water. This technique uses more power than is being used now or has been used for an extended period of time. The circumstances Great Oaks will face in the coming years are different than circumstances faced during the time covered by Cal Advocates' statistical analysis.

Great Oaks believes that when all operational factors are considered, its estimate of 500 kWh/AF is far more reasonable than Cal Advocates' recommendation of 417 kWh/AF over the next several years.

3. Rebuttal Testimony on Account 773 Customer Records and Customer Collections.

In its testimony on Account 773 expenses, Cal Advocates argued: "Recorded data for the expense shows it does not have a clear increasing or decreasing trend and fluctuates from year-to-year."⁵⁶ In support of this statement, Cal Advocates cited Great Oaks' Exhibit E GRC Workpapers, which showed increases in Account

⁵⁶ Cal Advocates Report, at p. 5-5.

773 expenses in every year since 2017/2018. Increasing Account 773 expenses over the past four years of recorded data is a clear and obvious trend, contrary to Cal Advocates’ testimony. Facts are facts. Rebuttal Table 17, below, shows this clear trend.

Rebuttal Table 17
Recorded Account 773 Expenses

Rate Year 2017/2018	Rate Year 2018/2019	Rate Year 2019/2020	Rate Year 2020/2021
\$146,366	\$165,798	\$229,943	\$233,580

Cal Advocates recommends that Account 773 expenses for Test Year 2022/2023 be set at \$185,870. This would result in the same kind of under-collection of Account 773 expenses Great Oaks has experienced each year for the past three years, as shown in Rebuttal Table 18, below.

Rebuttal Table 18
Adopted vs Recorded Account 773 Expenses

Adopted 2018/19	Recorded 2018/19	Adopted 2019/20	Recorded 2019/20	Adopted 2020/21	Recorded 2020/21
\$162,852	\$165,798	\$150,268	\$229,943	\$152,672	\$233,580

Cal Advocates did not present any testimony showing that the recorded Account 773 expenses over the past four years were in any way incorrect. Instead, Cal Advocates ignored the facts clearly showing recorded expenses exceeded adopted expenses for Account 773 in each of the past four years when performing its analysis.

Put simply, Cal Advocates’ testimony on Great Oaks’ projected Account 773 expenses is contrary to the facts and should be rejected. Great Oaks’ projected Test Year 2022/2023 Account 773 expenses are based upon the clear trend in this account of higher expenses and should be adopted.

I. Rebuttal to the Cal Advocates Testimony on Salaries and Wages

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 affect on employers throughout California, the United States, and around the world. Instead, the witness complained that Great Oaks did not fill four open and

authorized positions during the period of time since rates were adopted from Great Oaks' 2018 general rate case.⁵⁷ Cal Advocates recommends that rather than filling these positions, they should be eliminated.⁵⁸ The witness' testimony demonstrates how a lack of experience taints any resulting recommendations.⁵⁹

The four positions at issue are those listed in the Cal Advocates Report at page 6-10. The Senior Water System Operator position is in the process of being filled, with Great Oaks seeking a suitably experienced water system operator. The employment market for qualified Senior Water System Operators is very tight, with a low number of qualified applicants as compared to years prior to the pandemic.

The Water Quality Specialist/Environmental Services employee is to be hired when Great Oaks' systemwide disinfection program is approved by the State Water Resources Control Board's Division of Drinking Water. The "controller" position has been filed, with the employee scheduled to start on March 1, 2022, at a salary of \$180,000.⁶⁰ The Customer Service Representative position is on hold because Great Oaks' walk-in customer service area remains closed due to the pandemic. When that situation changes, the Customer Service Representative position will be filled.

Great Oaks confirms that the four positions authorized and referenced in Cal Advocates' Report are either filled (Controller), in the process of being filled (Senior Water System Operator), will be filled upon approval of Great Oaks' systemwide disinfection proposal now before the State Water Resources Control Board (Water Quality Specialist/Environmental Services), or will be filled when Great Oaks' walk-in customer service area opens when it is safe to do so. All four positions should remain authorized and the Test Year compensation for the Controller positions should be revised to reflect the additional amounts Great Oaks is required to pay for a suitably qualified person in that position.

⁵⁷ D.19-09-010, the Commission Decision adopting the settlement of Great Oaks' 2018 general rate case, was issued September 19, 2019.

⁵⁸ Cal Advocates Report, at pp. 6-9 to 6-10.

⁵⁹ Cal Advocates Report,

⁶⁰ Great Oaks has updated the salary for this position for the Test Year and beyond in the Rebuttal Workpapers, at WP10.

J. Rebuttal to the Cal Advocates’ Testimony on Administrative and General Expenses

Cal Advocates Report includes recommendations to adjust most of Great Oaks’ projected Test Year 2022/2023 Administrative and General Expenses. Great Oaks addresses each recommendation in the order presented in the Cal Advocates Report.

1. Rebuttal Testimony on Account 800 Expenses.

Cal Advocates correctly notes that what Great Oaks records as Account 800 expenses should be recorded in a different account.⁶¹ The expenses recorded and projected in Account 800 are more appropriately included in Account 797 Regulatory Commission Expenses (*e.g.*, expenses incurred in formal cases before the Commission) and Account 798 Outside Services and Account (costs of developing the Injury and Accident Prevention/Corrective Exercise Program⁶²), and that is where Great Oaks has moved those projected expenses in the Rebuttal Workpapers.⁶³ As part of the resolution of this general rate case application, Great Oaks agrees that Account 800 should not be utilized in the future (unless specifically authorized).

2. Rebuttal Testimony on Account 798 Outside Services Expenses.

Cal Advocates begins its analysis of how Great Oaks’ projected Account 798 Expenses by arguing that Great Oaks bases its projections on adopted rather than recorded Account 798 expenses.⁶⁴ The problem with this approach is that in Great Oaks’ response to a data request from the Cal Advocates’ witness Great Oaks described the correct methodology used, which actually uses recorded, rather than adopted expenses. Cal Advocates states that using “past recorded (actual) expenses” is the correct way to project expenses.⁶⁵ That is how Great Oaks projected Account 798 expenses.

⁶¹ Cal Advocates Report, at p. 7-5.

⁶² Cal Advocates Report, at p. 7-5, inaccurately describes the expense as “personal fitness training expenses.” In reality, the expenses were incurred developing the Injury and Accident Prevention/Corrective Exercise Program discussed below in Section J.4.

⁶³ Rebuttal Workpapers, WP-6.

⁶⁴ Cal Advocates Report, at p. 7-6.

⁶⁵ Cal Advocates Report, at p. 7-6.

In its Supplemental Response to Data Request NMH-001, Great Oaks described its method of projecting Account 798 Expenses for Test Year 2022/2023 in the following manner (referencing the formula in Cell J19 of Tab WP-6 of its Exhibit E GRC Workpapers in this manner: “Cell J19 trends off of 2020/2021 actuals times an escalation factor.”⁶⁶ Great Oaks did not apply an escalation factor to “adopted 2021/2022 expenses, as Cal Advocates’ witness claims. Great Oaks used actual recorded Account 798 expenses to project both rate year 2021/2022 and Test Year 2022/2023 Account 798 expenses.

Cal Advocates witness could have checked her theory by simply referring to the adopted Account 798 expenses in Great Oaks’ Advice Letters 299-W and 300-W-A. Cal Advocates reviewed both advice letters prior to their approvals by the Water Division. The information was readily available and would have shown that adopted Account 798 expenses for rate year 2021/2022 are \$770,370, not the \$539,239 used in the Workpapers, which were the actual projected expenses for rate year 2021/2022.⁶⁷

The Cal Advocates witness’ description of her methodology also does not match the formula used by Cal Advocates for Rate Year 2022/2023 Account 798 expenses in the Cal Advocates RO Model Workpapers. The formula for Cell J19 on tab WP-6 of the Cal Advocates RO Model Workpapers show the same basic formula used by Great Oaks, but with the *subtraction* of a total of \$206,634.68 to arrive at its projected expense. There is no mention of subtracting expenses in the description of the methodology used in the Cal Advocates’ witness testimony.⁶⁸ It appears that Cal Advocates’ methodology incorporated Cal Advocates’ recommended reductions in Account 798 expenses discussed in other portions of Cal Advocates Report. Since Great Oaks disagrees with Cal Advocates recommendations pertaining to the proposed Communications Program, the Injury and Accident

⁶⁶ Cal Advocates Report, Attachment 25-8.

⁶⁷ Great Oaks acknowledges that the column in which the Projected 2021/2022 expenses is mislabeled Adopted 2021/2022, but the description in the data request response should have alerted the Cal Advocates witness to this inadvertent and harmless labeling error.

⁶⁸ Cal Advocates Report, at pp. 7-6 to 7-7.

Prevention/Corrective Exercise Program, and the WaterSmart Program expenses, there is little wonder that the projected Account 798 expenses for Test Year 2022/2023 are different.

Those differences can be alleviated by accepting Great Oaks' proposals for the Communications Program, the Injury and Accident Prevention/Corrective Exercise Program, and the WaterSmart Program expenses addressed elsewhere in this rebuttal.⁶⁹ Based upon the rebuttal to Cal Advocates general testimony on Account 798 projected expenses for Test Year 2022/2023 here, as well as Great Oaks' rebuttal testimony on the other projected expenses listed immediately above, Great Oaks requests that its projected Account 798 expenses for Test Year 2022/2023 be accepted as reasonable and adopted.

3. Rebuttal Testimony on Account 811 Rents.

Cal Advocates recommends decreasing Great Oaks' projected Account 811 Rent expenses.⁷⁰ To arrive at this recommendation, Cal Advocates' witness claims to use the "monthly base rents" only and omits Great Oaks' share of the Operating Expense Increases also included in the terms of the lease. By the terms of the lease, in addition to the Base Rent, Great Oaks is responsible for paying its share of the Operating Expense Increase.⁷¹ Cal Advocates was provided with this information but did not consider that information for purposes of its testimony.⁷²

Great Oaks included its projected share of the Operating Expense Increase for Test Year 2022/2023 by using the amounts paid in past years, plus the appropriate escalation factor.⁷³ Cal Advocates' projected Test Year Account 811 Rent expenses include an odd formula that subtracts \$866.55 each month from the

⁶⁹ The Communications Program proposal is addressed in Section J.5., below. The Injury and Accident Prevention/Corrective Exercise Program is addressed in Section J.4. The WaterSmart Program expenses are address in Section II.A., above. Great Oaks does not know why Cal Advocates separated these Account 798 expenses in its Report. All of these projected expenses are properly accounted for in Account 798.

⁷⁰ Cal Advocates Report, at pp. 7-7 to 7-8.

⁷¹ Cal Advocates Report, Attachment 30-8.

⁷² Cal Advocates Report, Attachment 25-8 (discussion of WP7 cell J23).

⁷³ Exhibit E GRC Workpapers, Tab WP-6, Cell K23.

base rent amount, and then also includes the same projected Operating Expense Increases in Great Oaks' calculations. Clearly, Cal Advocates' testimony on this issue should be discarded as being both erroneous in terms of Great Oaks' rental payment obligations and in its methodology. Great Oaks' projected Account 811 Rent expenses for Test Year 2022/2023 are both accurate and consistent with Great Oaks legal obligations and recorded rental expenses.

4. Rebuttal Testimony on the Proposed Injury and Accident Prevention/Corrective Exercise Program.

In A.21-07-001, Great Oaks proposed an Injury and Accident Prevention/Corrective Exercise Program, with the \$60,000 annual costs of the program to be included in Employee Benefit expenses (Account 795).⁷⁴ Great Oaks' Exhibit 5-3 provides the details of the program, which states, in part:

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 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.⁷⁵

Cal Advocates opposes Great Oaks' proposed employee safety program. It is the opinion of the Cal Advocates witness on this topic that the proposed Injury and Accident Prevention/Corrective Exercise Program "appears to only be applicable to exercise routines and not workplace safety."⁷⁶ This opinion completely ignores the stated purpose of the program – helping "each employee to avoid accidents and injuries from the workplace environment" – and is contrary to not just the best interests of Great Oaks' employees, but of Great Oaks' customers who would ultimately foot the bill for workplace injuries. Cal Advocates should not oppose

⁷⁴ A.21-07-001, Exhibit D Report on Results of Operations, Chapter 5 Operating Expenses, at p. 5-34.

⁷⁵ Exhibit 5-3.

⁷⁶ Cal Advocates Report, at p. 7-8.

targeted, well-designed, and relatively economical workplace safety measures and programs of the water utilities regulated by the Commission.

Interestingly, Cal Advocates submitted a data request to Great Oaks with questions about the proposed program. That data request and Great Oaks' responses are included as Attachment 26 to the Cal Advocates Report. In her extremely brief testimony on the program, the Cal Advocates witness referenced only one of the questions and answers in this data request - Question 9 - claiming that Great Oaks "was unable to provide any evidence that this program reduces injury in the field."⁷⁷

A review of that particular question and Great Oaks' response shows that Cal Advocates' testimony on this point is misleading. Below is the question and answer relied upon by Cal Advocates' witness:

9. Please provide any studies or data that investigate the rate of workplace injuries before and after application of this corrective exercise program to workforces.

Response: No such comparative studies or data are yet available, as the program has only recently started.⁷⁸

Knowing full well that the proposed Injury and Accident Prevention/Corrective Exercise Program has only just begun, the Cal Advocates witness attempts to suggest that the program will not produce the intended results – increased workplace safety. This is entirely disingenuous.

The Cal Advocates witness then goes on to say that the Corrective Exercise Specialist certification held by the contractor implementing the program is only good for helping clients "have a more efficient workout, and recover from workouts faster."⁷⁹ The Cal Advocates witness cites one page from the National Association of Sports Medicine for this opinion, demonstrating again the witness' lack of knowledge on the topic and lack of substance to her testimony.

⁷⁷ *Id.*

⁷⁸ Cal Advocates Report, Attachment 26-3.

⁷⁹ *Id.*, at p. 7-8.

Chris Hall, the Certified Corrective Exercise Specialist who designed and is implementing the program proposed in this Application, provides the following testimony in rebuttal to the testimony of the Cal Advocates witness:

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 a 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 employee's job responsibilities and reducing or relieving the employee's physical limitations related to those job responsibilities.⁸⁰

Cal Advocates' witness also criticizes the program as not being affiliated with any university program, OSHA safety program, or physical therapy program.⁸¹ Of course, this testimony ignores that Injury and Illness Prevention Programs, of which the Accident and Injury Prevention/Corrective Exercise Program is a part, are required for every California employer.⁸² In California, the Division of Occupational Safety and Health, better known as Cal/OSHA, specifically recommends Safety and Health Training. In particular, Cal/OSHA states that

⁸⁰ Mr. Hall's Verification for his testimony is provided in the Appendix to this Rebuttal Testimony.

⁸¹ Cal Advocates Report, at p. 7-8.

⁸² California Code of Regulations, Title 8, Subchapter 7, Section 3203.

Safety and Health Training “is one of the most important elements of any Injury and Illness Prevention Program.”⁸³ Of such a program, 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 benefit from reduced workplace injuries and illnesses, increased productivity, lower costs, higher profits, and a more cohesive and dependable work force.

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.⁸⁴

Finally, the proposed Injury and Accident Prevention/Corrective Exercise Program is entirely consistent with Great Oaks’ commitment to the safety of its employees. The following are excerpts from Great Oaks’ Employee Safety Manual:

- “[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.”

In Great Oaks Water Company’s Response to Data Request NMH-003, which is Attachment 26 to Cal Advocates Report, Great Oaks specifically referenced its Employee Safety Manual and stated that the proposed “Injury and Accident Prevention/Corrective Exercise Program is entirely consistent with Great Oaks’ commitment to the safety of its employees and is action taken to prevent workplace

⁸³ See Guide to Developing Your Workplace Injury & Illness Prevention Program, at p. 7 (https://www.dir.ca.gov/dosh/dosh_publications/iipp.pdf).

⁸⁴ *Id.*

accidents.”⁸⁵ Even though Cal Advocates neglected to highlight these facts, Great Oaks’ statement remains true and entirely refutes Cal Advocates’ testimony on the program.

Workplace safety and doing everything reasonable to prevent Great Oaks’ employees from being injured on the job are worthy objectives, notwithstanding Cal Advocates’ opposition. Great Oaks’ proposed Injury and Accident Prevention/Corrective Exercise Program should be approved, and its costs included in rates for the Test Year and beyond.

5. Rebuttal Testimony on the Proposed New Customer Communications Program.

Cal Advocates appears to oppose a program designed and intended to improve communications between Great Oaks and its customers on important issues affecting customers.⁸⁶ Considering that Cal Advocates does not value customer concerns and interests, Cal Advocates’ position on this issue is unsurprising.

Cal Advocates first complains that the program budget is incomplete because Great Oaks did not add another \$50,000 to \$80,000 to the cost of the program.⁸⁷ Great Oaks did not add extra cost to the program because it can perform much, if not all, of the website development work in-house. In effect, Cal Advocates is complaining that Great Oaks’ handling of the communications program proposal saves money. In that regard, Great Oaks is guilty as charged.

Cal Advocates also complains that Great Oaks did not consider keeping its communications with customers as solely in-house program.⁸⁸ Great Oaks did consider this but ruled out such action because of a lack of resources (employees) to take on a greater role in customer communications. This information was provided to Cal Advocates but was not referenced in Cal Advocates’ testimony.⁸⁹

⁸⁵ Cal Advocates Report, Attachment 26-3 to 26-4.

⁸⁶ Cal Advocates Report, at p. 7-9.

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ See Cal Advocates Report, Attachment 27, Questions 3 – 10.

Cal Advocates then complains that Great Oaks did not solicit other vendors for the proposed communications program.⁹⁰ While this is true, Great Oaks' choice of Randle Communications cannot be challenged, as Randle Communications has a stellar record of success with communications services for other Commission-regulated water utilities. In fact, Great Oaks explained to Cal Advocates: "It is always preferred to work with those who have experience in particular industries and with similar customers (i.e., utilities). Randle Communications has experience working with and providing communications programs for other water utilities regulated by the Commission."⁹¹

Put simply, Cal Advocates' testimony on the proposed communications program cannot be taken seriously, especially when Cal Advocates does not engage in communications with the customers it is supposed to represent. Great Oaks' proposal for a new customer communications program should be accepted and adopted.

6. Rebuttal Testimony on Great Oaks' Request to Adjust the Time Period for Recording Costs and Contributions in the Pension Expense Balancing Account.

Cal Advocates opposes Great Oaks' proposal to adjust the time period for recording costs and contributions in its Pension Expense Balancing Account (PEBA), arguing that Great Oaks' proposed adjustments would "obfuscate both the Commission-authorized expense amount and when the expense is recorded."⁹² Cal Advocates' witness goes on to say that "[t]his would increase the burden on the Commission when reviewing this account and create confusion concerning balancing accounts and recording methodology."⁹³ None of Cal Advocates' opposition to the simple adjustment makes sense from either a regulatory or accounting viewpoint.

⁹⁰ Cal Advocates Report, at p. 7-9.

⁹¹ Cal Advocates Report, Attachment 27-5.

⁹² Cal Advocates Report, at p. 7-10.

⁹³ *Id.*

One of the benefits of Great Oaks' proposed adjustment is ease of Commission review by lining up costs and payments into the same reporting time period. Great Oaks explained that, under the current terms and conditions of the PEBA, costs and payments for the same calendar year are reported in different rate years, making the requested adjustments in the terms and conditions of the PEBA will align costs and payments, which will naturally ease Commission administration of the account and provide much clearer accounting for the account. And neither of those benefits have a cost imposed upon ratepayers. Cal Advocates' opposition to the proposed adjustment to the terms of the PEBA are misplaced and Great Oaks' request should be approved.

7. Rebuttal Testimony on Pension and Benefits Expenses.

Cal Advocates dedicates nearly a full page of testimony to Pension and Benefit costs. Not surprisingly, the testimony has no factual basis and should be rejected.

On the issue of pension costs, Cal Advocates' entire position is based upon its recommendation that Great Oaks not hire employees for open and authorized employment positions. Great Oaks addressed Cal Advocates' testimony on this issue in Section I, above, pointing out that the COVID-19 pandemic has delayed the hiring of employees (not just for Great Oaks, but for every employer). Cal Advocates simply neglected to consider the impact of the pandemic on hiring in its testimony, rendering that testimony useless in this proceeding.

Great Oaks' projection of pension expenses for the Test Year and beyond are not challenged by Cal Advocates for any reason other than the number of employees. Since the number of employees included in Great Oaks' projection is correct and Cal Advocates has no other criticisms of the projected pension expenses, those expenses should be approved and adopted.

Cal Advocates' testimony on medical costs, dental costs, vacation accruals, and annual pension contributions is entirely flawed because it fails to acknowledge that the projected increases are based upon estimates from industry professionals

and not, as claimed by Cal Advocates’ witness, a simple “blanket 10% escalation factor.”⁹⁴

Attachment 25-7 to Cal Advocates Report includes information Cal Advocates either missed or ignored about escalating insurance costs. In its supplemental response to Data Request NMH-001, Question 1.b., Great Oaks indicated that its projected 8.3% increase in medical insurance expenses for rate year 2021/2022 is “based on Great Oaks’ insurance broker’s access to the insurance carrier’s future pricing estimates.”⁹⁵ The same process was used to estimate projected costs of vision insurance.⁹⁶ Great Oaks’ projected annual pension contributions are likewise based upon advice from Great Oaks’ pension plan administrator.⁹⁷ Great Oaks’ vacation accrual cost estimates are based upon the correct number of employees, while Cal Advocates’ testimony would eliminate four already authorized positions that will be filled as events transpire and the effects of the pandemic recede.⁹⁸

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 estimated have been confirmed. Because Great Oaks’ projected Test Year (and beyond) pension and insurance expenses are based upon information provided from direct insurance industry sources and not simply “blanket” escalation factors, Great Oaks’ projected pension and insurance costs should be accepted and adopted. The same is true for Great Oaks’ projected vacation accrual costs estimates which should also be accepted and

⁹⁴ Cal Advocates Report, at p. 7-11.

⁹⁵ Cal Advocates Report, Attachment 25-7 (discussion of WP7 cell Q26 for rate year 2021/2022); Attachment 25-9 (discussion of WP7 cell R26 for Test Year 2022/2023, Escalation Year 2023/2024, and Attrition Year 20224/2025).

⁹⁶ Cal Advocates Report, Attachment 25-8 (discussion of WP7 cell Q53 for rate year 2021/2022); Attachment 25-10 (discussion of WP7 cells R53 – T53 for Test Year 2022/2023, Escalation Year 2023/2023, and Attrition Year 2024/2025).

⁹⁷ Cal Advocates Report, Attachment 25-10 (discussion of WP7 cells R33 – T33 for Test Year 2022/2023, Escalation Year 2023/2024, and Attrition Year 2024/2025).

⁹⁸ See Great Oaks’ Rebuttal Testimony on Salaries and Wages in Section I, above.

adopted, as Great Oaks’ projections are based upon the expected number of employees, while Cal Advocates would cut four already authorized positions.

8. Conclusions – Rebuttal Testimony on Administrative and General Expenses.

Cal Advocates’ testimony on Great Oaks’ projected Test Year Administrative and General Expenses were limited to the following categories: Account 800 expenses; Account 798 Outside Services; Account 811 Rents; the proposed Injury and Accident Prevention/Corrective Exercise Program (Account 795 Benefits); the proposed adjustment to the recording period for the Pension Expense Balancing Account (PEBA) (Pension expenses are recorded in Account 795); and Insurance Expenses (insurance expenses pertaining to employee health insurance are recorded in Account 795). None of the testimony presented by Cal Advocates provided a sensible rationale for either eliminating or reducing the projected expenses for Test Year 2022/2023 and beyond. Great Oaks is discontinuing use of Account 800 and will record expenses resulting from formal Commission proceedings in Account 797. Otherwise, Great Oaks’ projected expenses in all categories for Test Year 2022/2023 and beyond should be accepted and adopted.

K. Rebuttal Testimony on Balancing and Memorandum Accounts

Cal Advocates’ witness on the issue of memorandum and balancing accounts expresses her personal opinion that memorandum and balancing accounts “circumvent the ratemaking process, reduce customer transparency, and reduce the utility’s incentive to do its due diligence when managing expenses.”⁹⁹ General Order 96-B proves this witness’ opinion to be incorrect, as memorandum and balancing accounts are handled through well-established rules and procedures that address each and every concern expressed by the witness.

Great Oaks addresses the testimony of Cal Advocates witness in the order of her testimony.

⁹⁹ Cal Advocates Report, at p. 8-1. It should be noted that the Cal Advocates witness on this issue has the least amount of experience of any of the Cal Advocates witnesses, having just joined Cal Advocates in 2020. Cal Advocates Report, Attachment 3-1.

1. Rebuttal Testimony on the Pump Tax Balancing Accounts.

Cal Advocates' witness alleges that the balance in Great Oaks' pump tax balancing accounts is incorrect, apparently based upon her "simple comparison."¹⁰⁰ First the witness says the pump tax balancing accounts record showed an "undercollection of \$225,396."¹⁰¹ The time period in question is not specified, but the truth is that the balancing account records provided to the witness showed that for the period of time from January 2020 through June of 2021, there was an under-collection of \$225,401.21 in the Groundwater Charges Other than Agricultural Irrigation balancing account and an over-collection of \$4.64 in the Groundwater Charges Agricultural Irrigation balancing account.¹⁰²

The witness then compared the above-referenced 18 months of data to the 12-month 2020/2021 rate year before concluding that the "simple comparison" showed a difference of \$261,045 between the authorize pump tax expenses and the actual pump tax expenses.¹⁰³ Needless to say, comparing 18 months of balancing account data to 12 months of actual and authorized expenses is not a valid comparison. The methodology used by Cal Advocates' witness is simply incorrect and proves nothing, except perhaps the inexperience of the witness.

Great Oaks has amortized the balances in its two pump tax balancing accounts numerous times, including most recently through Advice Letter 287-W-A, filed May 1, 2020. No issues have been raised at any time about how Great Oaks accounts for pump tax expenses in its balancing accounts. The testimony of Cal Advocates' witness simply has no basis in fact and certainly does not provide a basis for ordering a refund to customers at this time. A more appropriate method to amortize the balances in Great Oaks' pump tax balancing accounts is to combine such balances with balances in other memorandum and balancing accounts at the same time, provided the customers to whom any such refund or recovery is directed

¹⁰⁰ Cal Advocates Report, at p. 8-3.

¹⁰¹ *Id.*

¹⁰² Cal Advocates Report, Attachment 35 (GOWC NMH-002(1), tab 1.b. Pump Tax Non Ag and tab 1.c. Pump Tax Ag.

¹⁰³ Cal Advocates Report, at p. 8-3.

are the same. Advice Letter 287-W-A, referenced above, is a good example of how this is properly done.

2. Rebuttal Testimony on Great Oaks' Catastrophic Event Memorandum Accounts.

Cal Advocates reviewed one of Great Oaks' two Catastrophic Event Memorandum Accounts (CEMA) – the account applicable to the October 2019 Public Safety Power Shutoff events. Great Oaks believes, as does Cal Advocates, that the balance in this account should be amortized and the account closed. As the CEMA recovery would be from all customers, this would be an appropriate account balance to include when amortizing the pump tax balancing accounts and other appropriate accounts. Great Oaks' other CEMA addresses pandemic-related costs and is not yet ripe for amortization.

3. Rebuttal Testimony on Great Oaks' Paycheck Protection Program Loan Memorandum Account.

Great Oaks agrees with Cal Advocates' witness that Great Oaks' Paycheck Protection Program (PPP) loan will likely be forgiven when the paperwork requesting that forgiveness is ultimately processed. No action is needed on this memorandum account in this proceeding.

4. Rebuttal Testimony on the Requested Adjustment to the 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.¹⁰⁴ The proposed changes to the memorandum account preliminary statement tariff sheet were provided in Exhibit 3-9. Based upon the testimony of Cal Advocates' witness, it does not appear that the witness read Exhibit 3-9.

In Exhibit 3-9, 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

¹⁰⁴ Exhibit D, Chapter 3, at p. 3-14.

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.¹⁰⁵

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.¹⁰⁶

Cal Advocates' witness states, incorrectly: "If the \$100,000 cap were to be removed from this account, ratepayers could end up paying for an uncapped amount of litigation expenses in the event of an unsuccessful judgment."¹⁰⁷ This error can only mean that the Cal Advocates witness did not read or understand the proposed tariff language provided in Great Oaks' Exhibit 3-9.

Cal Advocates' testimony on this issue is entirely incorrect and should be rejected. There being no valid reason to deny Great Oaks' request to adjust the terms of the account, Great Oaks requests that this adjustment, as provided in Exhibit 3-9, be accepted and adopted.

5. Rebuttal Testimony on the Credit Card Pilot Program Memorandum Account.

Cal Advocates does not present testimony on the proposed continuation of the Credit Card Pilot Program Memorandum Account. Instead, Cal Advocates' witness simply argued that Great Oaks should somehow provide a discount to Customer Assistance Program (CAP) customers of \$0.003 per billing period off of the already-discounted service charges.¹⁰⁸ Obviously, Cal Advocates' witness does not understand the limitations of utility billing capabilities. Great Oaks cannot provide additional discounts of less than one cent.

¹⁰⁵ Great Oaks Exhibit 3-9.

¹⁰⁶ See Exhibit 3-9.

¹⁰⁷ Cal Advocates Report, at pp. 8-5 to 8-6.

¹⁰⁸ The total cost of the Credit Card Pilot Program is \$0.02 per single-family residential customer. Great Oaks' CAP provides a fifty percent (50%) discount off of monthly service charges. CAP customers are all single-family residential customers and are bill six times per year. Dividing \$0.02 by six equals \$0.003, which, when applied to the meter service charge, results in no additional discounts.

Because no rational opposition to the continuation of Great Oaks' Credit Card Pilot Program Memorandum Account was offered, Great Oaks' request to continue the memorandum account should be accepted and adopted.

6. Rebuttal Testimony on Great Oaks' Request for a General Order 156 Supplier Diversity Program Memorandum Account.

Cal Advocates' witness says that Great Oaks' request for a General Order 156 Supplier Diversity Program Memorandum Account should be denied because: (1) Great Oaks does not earn enough gross revenue to be a named respondent in R.21-03-010; (2) Great Oaks has had more than 30 years to observe, learn about, and plan for the types of expenses that "could be incurred" when complying with the Supplier Diversity Program; and (3) that those expenses "are not likely to be substantial."¹⁰⁹ Cal Advocates' witness cannot establish that any of her statements are true.

Great Oaks is indeed a named respondent in R.21-03-010 as it is a Commission-regulated water corporation that falls within "the gross California revenue amounts, either above \$25 million or \$15 million."¹¹⁰ Cal Advocates' witness apparently failed to read the Order Instituting Rulemaking.

The cost of the new reporting requirements for water corporations with gross annual California revenues between \$15 million and \$25 million is not something Great Oaks could have learned over the last 30 years because those new reporting requirements were adopted through SB 255, which became effective on October 2, 2019.¹¹¹ Moreover, Great Oaks could not have learned what the costs of the new SB 255 reporting requirements will be because no decisions have yet been made in R.21-03-010 establishing those reporting requirements. Cal Advocates' witness apparently has not read SB 255 either.

In Great Oaks' Application 21-07-001, gross annual California revenues in excess of \$25 million are forecasted for the 2023/2024 Escalation Year and the

¹⁰⁹ Cal Advocates Report, at pp. 8-8 to 8-9.

¹¹⁰ Order Instituting Rulemaking 21-03-010, Section 7 Named Respondents, at p. 21.

¹¹¹ *Id.*, at p. 9.

2024/2025 Attrition Year. This would bring Great Oaks into the Supplier Diversity Program. Cal Advocates' witness cited Great Oaks' Exhibit D, Chapter 1, but apparently missed this statement: "Moreover, the projected revenues in this Application are expected to exceed \$25 million in Escalation Year 2023/2024, which would make the Company a full participant in the Commission's Supplier Diversity Program at that time."¹¹² Once that happens, Great Oaks will necessarily incur expenses it cannot at this time accurately predict.

All of the requirements for establishing a memorandum account have been met. The expenses Great Oaks will incur with the new reporting requirements under the Supplier Diversity Program cannot be known until those reporting requirements are established in R.21-03-010. That is outside of Great Oaks' control. The expenses cannot be reasonably foreseen for the same reason and may be quite substantial. Ratepayers are said to benefit from the Supplier Diversity Program, making costs of compliance beneficial to ratepayers.

Cal Advocates' witness also has zero experience making decisions or reviewing decision-making pertaining to the Supplier Diversity Program.¹¹³ The witness' qualifications make no mention of any experience whatsoever with the Supplier Diversity Program. The witness has been with Cal Advocates only since 2020. All of this means that the witness has no qualifications to testify about what Great Oaks could or could not learn about the costs of complying with the requirements of the Supplier Diversity Program since 1986. In short, no weight may be given to anything Cal Advocates' witness provides in her testimony and Great Oaks' request for a memorandum account to record, track, and recover costs of complying with the still unknown new reporting requirements of the Supplier Diversity Program and then costs of full compliance should Great Oaks' annual revenues exceed \$25 million.

¹¹² Great Oaks' Exhibit D, Chapter 1, at p. 1-5.

¹¹³ Cal Advocates Report, Attachment 3-1.

7. Rebuttal Testimony on Great Oaks' Request for a USEPA Lead and Copper Rule Revisions (LCRR) Expense Memorandum Account.

Consistent with the testimony of the Cal Advocates Witness on other memorandum and balancing account issues, the testimony presented on the proposed LCRR Expense Memorandum Account demonstrates a complete lack of knowledge as to the subject matter.

The witness cites 2016 law to address 2021 US EPA regulatory requirements, demonstrating the witness' lack of knowledge on the subject.¹¹⁴ The new 2021 regulations will require Great Oaks to undertake a time-consuming and potentially very expensive project to discover whether piping materials from the meter to the customer building connection. This is not the same as cataloging the piping materials installed by Great Oaks, as Cal Advocates' witness seems to think.¹¹⁵ Cal Advocates' witness suggests that not being able to accurately estimate what it will cost to research piping materials not installed by Great Oaks, including piping materials installed decades ago by contractors or private individuals unknown to Great Oaks, is "poor planning."¹¹⁶ This comes from a witness with no planning experience at all and who knows nothing about water quality regulations, including the Lead and Copper Rule Revisions.¹¹⁷

As stated above, the regulations at issue are *new* as of January 2021. This makes the costs associated with the new regulations unexpected and certainly not part of the normal expenses incurred by Great Oaks to comply with Lead and Copper Rule requirements. The grounds cited by Great Oaks for establishing the memorandum account are solid. Cal Advocates' witness' testimony on the requested memorandum account is not grounded upon either facts or experience. Having someone with no experience whatsoever in the kind of work required to comply with the Lead and Copper Rule Revisions testify on those requirements and the cost of

¹¹⁴ Cal Advocates Report, at p. 8-9.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ Cal Advocates Report, Attachment 3-1.

compliance was a poor choice by Cal Advocates, as no relevant testimony on the issue was offered.

Great Oaks' request for a USEPA Lead and Copper Rule Revisions Expense Memorandum Account should be accepted and adopted. There will be ample opportunity for Cal Advocates to review any expenses recorded in the account when, or if, it is presented for amortization. That is how memorandum accounts are designed to work. It is neither a burden on ratepayers or those with the job responsibilities to review memorandum accounts.

8. Rebuttal Testimony on the City of San Jose Litigation Memorandum Account.

Great Oaks is not opposed to closing the current City of San Jose Litigation Memorandum Account, but there is no justification presented for denying the recovery of the expenses recorded in the account. Upon review, those expenses will be found to have been in furtherance of the efforts to resolve service territory disputes, just as intended. The closure of the account should also not prevent a future litigation expense memorandum account should efforts to resolve all disputes with the City of San Jose prove unsuccessful and litigation becomes necessary.

L. Rebuttal Testimony on Non-Tariffed Products and Services

Cal Advocates' witness on revenues generated from non-tariffed products and services is the same inexperienced witness who offered other superficial testimony on memorandum and balancing account issues. This witness proposes to eliminate the long-standing agreement between Great Oaks and Cal Advocates on how to share revenues from the minimal non-tariffed products and services offered by Great Oaks and thereby eliminate the benefits Great Oaks' customers receive from those offerings.

Cal Advocates' witness says that Great Oaks did not forecast the disposition of revenues from non-tariffed products and services according to Commission rules.¹¹⁸ Great Oaks' forecast is based upon the method agreed upon between Great

¹¹⁸ Cal Advocates Report, at p. 9-1.

Oaks and Cal Advocates in Great Oaks' 2018 general rate case. This is the agreement Cal Advocates' witness seemingly wants to eliminate.

The only non-tariffed products and services presently at issue are the HomeServe insurance products offered to Great Oaks' customers by HomeServe, rent from Great Oaks' Well 2 building, and rent from cellular phone towers at water storage tank locations. The revenues from these offerings are, at present, and are proposed by Great Oaks to be shared equally between Great Oaks and its customers.

Changing the current sharing of revenues will change the way Great Oaks considers these offerings. Updated revenues from these offerings are projected to be \$161,892 in Test Year 2022/2023 and thereafter, with customers receiving 50% of this amount, or \$80,946.¹¹⁹ The amounts customers receive is used to offset expenses included in rates, thereby reducing rates. The effect of Cal Advocates' testimony will be to eliminate this reduction in rates.

As Great Oaks has stated in the past, if the revenues are not shared between Great Oaks and its customers, there is no incentive for Great Oaks to offer these non-tariffed products and services. Cal Advocates' testimony proposes to eliminate any incentive for Great Oaks to continue these offerings by calling for more than 70% of the revenues to be provided to customers instead of the current 50%.¹²⁰ Cal Advocates' witness is, essentially, calling for an end to the agreement between Great Oaks and Cal Advocates on this issue.

Ending the agreement will result in the eventual elimination of all revenues from non-tariffed products and services. Great Oaks will end the HomeServe program that its customers like as a result of Cal Advocates' position. Cell tower leases can and will be sold, ending that stream of revenue. Ending the rental of extra space in Great Oaks' Well 2 building is easily accomplished. Rates will go up

¹¹⁹ See Rebuttal GRC Workpapers, WP6 A&G Expenses.

¹²⁰ Cal Advocates Report, at pp. 9-1 to 9-3

as a result of Cal Advocates choosing to discontinue the current agreement with Great Oaks.

Great Oaks is open to continuing the current agreement between Great Oaks and Cal Advocates on these revenues. Great Oaks also proposes to update the revenue benefits to customers in escalation and attrition filings, which currently do not include such adjustments. Such an adjustment will ensure the maximum amount of shared revenues benefit customers.

If Cal Advocates is not open to continuing the current agreement, then the result will be the end of benefits to Great Oaks’ customers from non-tariffed products and services. Ending this long-standing agreement is not in the best interest of Great Oaks’ customers, but that is exactly what Cal Advocates’ testimony recommends.

M. Rebuttal Testimony on Plant

Cal Advocates agrees that the plant-in-service additions shown in Rebuttal Table 19 below should be included in rate base beginning with Test Year 2022/2023.¹²¹

**Rebuttal Table 19
Completed Projects
Approved Additions to Test Year 2022/2023 Rate Base**

Completed Project	Addition to Rate Base
Account 343: Rahway Water Main Extension Replacement	\$727,732
Account 306: Well 24A Land	\$248,869
Account 315: Well 24A	\$651,626
Account 377: Power Operated Equipment Portable Generators	\$42,425
Total	\$1,670,652

In the remainder of its testimony on plant additions, Cal Advocates references the agreement reached in the 2018 general rate case settlement on an asset management program, opposes one capital project (Exterior Coating of Tanks)

¹²¹ Cal Advocates Report, at p. 10-3.

and proposes modifications to several other capital projects. Each subject is separately addressed below.

1. Rebuttal Testimony on Compliance with Commission Decision.

In the settlement of the 2018 general rate case, Great Oaks and Cal Advocates agreed that Great Oaks would utilize asset management software in preparation of its 2021 general rate case application. The COVID-19 pandemic, however, derailed plans to purchase and implement the asset management software, as noted by Cal Advocates' witness.¹²² Great Oaks has already agreed to purchase the software and an order by the Commission to do so in this rate case is unnecessary and redundant. Great Oaks has not refused to purchase the software; the pandemic has delayed the purchase of the software and its implementation.

It should be noted that decisions made on plant-in-service assets cannot and should not be governed by a software program alone. The software program can provide guidance, but the actual condition of plant-in-service assets must always be considered when making decisions. For example, if a software program provides a schedule for asset replacement every forty (40) years, but the assets simply do not have a useful life of 40 years, decisions must be made based upon reality, rather than upon the rote application of a computer software program.

Experience in the management of particular water system plant-in-service assets is far more valuable than a replacement or maintenance schedule found in a software program or a book. Water system owners and operators know this to be absolutely true. Inexperienced office-based utilities engineers, such as Cal Advocates' witness, should know this too by simply using common sense and understanding facts provided to them, but some do not.

2. Rebuttal Testimony on the Exterior Coating of Tanks.

Cal Advocates' witness recommends that Great Oaks ignore the maintenance needed on its water storage tanks and not recoat the exterior of its water storage tanks because Great Oaks "did not complete a 'pre-bid (initial) inspection'" of its

¹²² Cal Advocates Report, at p. 10-2; *see also* Cal Advocates Report, Attachment 37-3.
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Great Oaks Water Company's Rebuttal Testimony

storage tanks, as recommended by the American Water Works Association (AWWA), and each tank’s exterior coating is original from the time of construction, which occurred in different years.”¹²³ This is a classic example of how not to review a proposed capital project.

Cal Advocates’ witness has not seen the water storage tanks that require exterior coatings. Cal Advocates decided not to conduct a routine site visit for this general rate case, presumably due to COVID-19 concerns. What this means is that the Cal Advocates witness has never seen the water storage tanks that require new coatings.

It is notable and very revealing that the Cal Advocates witness chose not to include the information provided to her on the condition of the water storage tanks in her testimony. This glaring omission by the Cal Advocates witness shows the weakness of her testimony and recommendations.

In her Data Request DG-006, the Cal Advocates witness asked about the most recent inspection reports for the water tanks needing new exterior coating. Great Oaks stated: “Great Oaks’ rationale for the exterior coating replacement is not based upon the inspection report but is instead based upon visual observation and experience.”¹²⁴ The next question of Data Request DG-006 asked for photos of “each of the tanks showing signs of rust and coating failure.”¹²⁵ In response, Great Oaks provided a document entitled GOWC DG-006(2b), which included 57 photos of five different water storage tanks, each photo showing direct evidence of the need for the tank coatings.¹²⁶ Remarkably, no mention was made of these photographs in the witness’ testimony on the tank coatings.

It is therefore not clear from the witness’ testimony if she actually looked at the photographs provided. If she had, the rust, corrosion, coating repairs (patching), and overall need for the new coatings requested by Great Oaks would

¹²³ Cal Advocates Report, at p. 10-4.

¹²⁴ See Great Oaks Water Company Response to Data Request DG-006 provided in the Appendix to this Rebuttal Testimony. The quoted language is from Great Oaks’ response to question 2.a.

¹²⁵ *Id.*, Question 2.b., at p. 4.

¹²⁶ *Id.*, GOWC DG-006(2b).

have been evident. In fact, it's quite startling that the witness did not even refer to the photographs provided in her testimony.

But at the same time, had the witness referenced the photographs, all showing the need for the exterior coatings requested by Great Oaks, the witness would not have been able to manufacture an argument contrary to Great Oaks' request. Avoiding the reality shown in the photographs was the only way the witness could present an argument that the coatings are not needed.

The argument made by the witness was based upon the AWWA M42 Steel Water-Storage Tanks Manual of Water Supply Practices (1998 version) provided in Attachment 44 to the Cal Advocates Report. As to the manual, the first point of interest is that the witness apparently does not know that the manual was updated in 2013. This simply confirms that the witness is not qualified to testify about Great Oaks' request for new tank coatings – the witness has no experience and no knowledge of industry standards and practices.

The witness cited page 94 of the manual for the proposition that a “pre-bid (initial) inspection” is recommended.¹²⁷ The manual also states, on the same page: “Color photographs keyed to the observations are an excellent method of describing the condition of a particular portion of the tank.”¹²⁸ The photographs provided by Great Oaks should have been used by the witness to confirm that what Great Oaks was requesting was appropriate, but were not. This means that the witness did not even follow the procedure provided in the manual she relies upon for her testimony.

According to the manual, the “pre-bid (initial) inspection” is to be used to make an informed decision on whether to maintain the tank or replace it.¹²⁹ Great Oaks does not need an outside inspection to make that determination, as one of Great Oaks' employees is a former employee of a painting contractor that has applied tank coatings for various water systems throughout the Bay Area.¹³⁰ This

¹²⁷ Cal Advocates Report, at p. 10-4.

¹²⁸ Cal Advocates Report, Attachment 44-86.

¹²⁹ *Id.*

¹³⁰ Before joining Great Oaks, Great Oaks Water Quality Specialist was employed by Jeffco Painting & Coating Inc.

same employee has been involved in the upkeep and maintenance of Great Oaks' water storage tanks. He is a highly qualified professional.

Had Cal Advocates' witness looked at the photographs provided, there is no question that she would have noticed the repairs made over the years to the tank coatings (evidence by the various "patches" shown in the photographs). Great Oaks has properly maintained its storage tanks and the request to approve the capital project to replace the coatings is part of that program. Software programs are no substitute for actual knowledge and expertise, for they can only, at best, provide a recommended schedule for maintenance and improvements.

Cal Advocates' recommendation to ignore the obvious need to replace the tank coatings because Great Oaks allegedly failed to follow the recommendations of a manual and did not have a software program to replace human thinking and experience is fatally flawed. Great Oaks continually inspects its water system facilities, including its storage tanks, performing maintenance when needed. It is now time to replace the exterior coatings on five of its storage tanks.

The evidence is clear and Great Oaks' request for authority to replace the exterior coatings of its five storage tanks should be accepted and adopted.

3. Rebuttal Testimony on Account 346 Meter Replacements.

The basis for Cal Advocates' testimony on the number of meters to be replaced each year is the average number of meter replacements during the years 2017 through 2020.¹³¹ Great Oaks proposes to do more than that – an average of 470 meters per year. No reason is given for Cal Advocates' proposed change in the number of meter replacements except the simple statistical average over a four-year period. In other words, Cal Advocates offers no reason why Great Oaks cannot or should not install an average of 470 meters per year over the three years of the rate case cycle. Cal Advocates merely offers a different schedule proposed by a witness with no experience pertaining to meter replacements.

¹³¹ Cal Advocates Report, at p. 10-6.

Great Oaks replaced 724 meters in 2017. Clearly, Great Oaks is capable of replacing 470 meters each year and that is the proposed meter replacement schedule that should be accepted and adopted. The meters being replaced

4. Rebuttal Testimony on Account 343 Transmission and Distribution Mains.

Cal Advocates' witnesses sometimes use simplistic statistical analyses, primarily when it suits their purposes. Cal Advocates' witnesses also avoid statistical analyses when it suits their purposes. The testimony of Cal Advocates' witness on routine replacements of transmission and distribution mains (Account 343) falls into the latter category.

Great Oaks' projected Account 343 additions are based upon actual expenses incurred in the routine replacement of transmission and distribution mains.¹³² Great Oaks took the average of actual Account 343 expenditures over a five-year period and applied an escalation factor of 25% to project Account 343 additions for rate year 2021/2022, Test Year 2022/2023, Escalation Year 2023/2024, and Attrition Year 2024/2025.¹³³ The only issue should have been the use of a 25% escalation factor, which was from an article read by Great Oaks' chief financial officer on increasing costs in the Bay Area.

Cal Advocates, on the other hand, based its recommendations on the Account 343 amounts adopted in Great Oaks' 2018 general rate case.¹³⁴ For example, Cal Advocates indicates that for rate years 2019/2020, 2020/2021, and 2021/2022, Great Oaks was authorized to add \$493,830 each year.¹³⁵ What Cal Advocates ignored were the facts. In three of the five years used for Great Oaks' projections, Great Oaks spent more than the "adopted" amounts, including in 2019 when Great Oaks spent \$1,297,611 in Account 343 transmission and distribution mains additions.¹³⁶

Notably, Great Oaks has used the same methodology to project Account 343 additions in the last several general rate cases, including the 2018 general rate

¹³²

¹³³ See Rebuttal Workpapers, WP18, cells J36 – M36.

¹³⁴ Cal Advocates Report, at p. 10-8.

¹³⁵ *Id.*

¹³⁶ See Rebuttal Workpapers, WP18, cells J36 – M36.

case. By recommending the use of 2018 adopted amounts for Account 343 additions, Cal Advocates is approving of Great Oaks’ methodology, but is not updating the calculations. This is certainly not sound regulatory practice or analysis. If the methodology used by Great Oaks in its 2018 general rate case was correct then, it is also correct now.

Great Oaks does agree to revise the escalation factors used for its projections and has included the most recent (and corrected) escalation factors provided. Non-labor escalation for October 2022 is forecasted to be 1.9%, while in October of 2023 and October of 2024, the forecasted inflation rate is 1.0% and 1.1%, respectively. Those factors are used in the Rebuttal Workpapers and produce Account 343 amounts for the years covered by this application as shown in Rebuttal Table 20, below. The amounts shown in Rebuttal Table 20 should be accepted and adopted.

Rebuttal Table 20
Account 343 Transmission and Distribution Mains Additions¹³⁷

Test Year 2022/2023	Escalation Year 2023/2024	Attrition Year 2024/2025
\$714,184	\$721,326	\$729,260

5. Rebuttal Testimony on Account 345 Services.

Cal Advocates uses the same distorted and flawed logic for its testimony on the projected amounts of Account 345 Services as it did for Account 343 Transmission and Distribution Mains, recommending that the amounts adopted in the 2018 general rate case should be adopted here, without regard to amounts actually spent on Account 345 Services.¹³⁸ Just as before, Cal Advocates complains that the projected amounts for Account 345 additions are not tied to any planned projects,¹³⁹ when Cal Advocates knows full well that the projected expenses are for normal and routine service additions.

In its Exhibit G Proposed Capital Projects, Great Oaks stated: “Each year the Company installs new services. The projected cost of the new service installations

¹³⁷ Rebuttal Workpapers, at WP18.

¹³⁸ Cal Advocates Report, at p. 10-9.

¹³⁹ *Id.*

is based upon an average of investment costs from 2017 through 2020.” Great Oaks does not know why this is so difficult for Cal Advocates witness to understand.

Just as with Account 343, the methodology to project Account 345 additions in the 2018 general rate case was the same method used to project Account 345 additions in this general rate case. Cal Advocates understood the methodology in 2018, but apparently not now.

Great Oaks has revised the escalation factors for Account 345 just as it did for Account 343 above. The amounts shown in Rebuttal Table 21 below include the most recent escalation factors and should be accepted and adopted.

Rebuttal Table 21
Account 345 Service Additions¹⁴⁰

Test Year 2022/2023	Escalation Year 2023/2024	Attrition Year 2024/2025
\$137,167	\$138,539	\$140,063

6. Rebuttal Testimony on Account 372 Computers.

Cal Advocates’ testimony on Account 372 Computers is the same as it was for Accounts 343 and 345 – based upon amounts adopted in the 2018 general rate case. Cal Advocates’ witness needs to understand that every year Great Oaks must make certain routine plant additions. Account 372 Computers is a perfect example of this, as computer needs increase over time and new equipment is needed to replace obsolete equipment.

In its Exhibit G Proposed Capital Projects, Great Oaks said this about its Account 372 Computer needs: “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.” Cal Advocates’ witness does not dispute this rationale and instead simply ignores it. Great Oaks’ projections are based upon actual computer equipment purchases made over a four-year period.¹⁴¹

¹⁴⁰ Rebuttal Workpapers, at WP18.

¹⁴¹ See Rebuttal Workpapers, WP19, Cells K19 – M19.

Just as before, Great Oaks has updated the escalation factors for Account 372 Computers and the amounts shown in Rebuttal Table 22 below should be accepted and adopted.

Rebuttal Table 22
Account 372 Computer Equipment Additions¹⁴²

Test Year 2022/2023	Escalation Year 2023/2024	Attrition Year 2024/2025
\$87,596	\$88,472	\$89,445

7. Rebuttal Testimony on Account 348 Hydrants.

In her testimony on Account 348 Hydrants, the Cal Advocates witness doesn't even bother to explain her testimony or revised numbers.¹⁴³ The amounts recommended for each year are lower than the adopted amounts from the 2018 general rate case settlement. No information is provided that would allow adoption of the recommended amounts from the Cal Advocates witness.

Great Oaks used the same methodology – an average of actual Account 348 additions over a period of year – plus an escalation factor to project Account 348 additions for the Test Year and beyond. These amounts are unchallenged.

Nevertheless, Great Oaks has updated the escalation factors used for its Account 348 Hydrants projections. The updated amounts are shown in Rebuttal Table 23 below and should be accepted and adopted.

Rebuttal Table 23
Account 348 Hydrant Additions¹⁴⁴

Test Year 2022/2023	Escalation Year 2023/2024	Attrition Year 2024/2025
\$23,730	\$23,967	\$24,231

8. Comments upon Cal Advocates' Recommendation on Account 376 Communications Equipment.

Cal Advocates recommends accepting Great Oaks' projected amounts for Account 376 Communications Equipment. This is noteworthy because Great Oaks used the same methodology to project routine Account 376 additions as it did for Accounts 343 Transmission and Distribution Mains, Account 345 Services, Account

¹⁴² Rebuttal Workpapers, WP19.

¹⁴³ Cal Advocates Report, at pp. 10-10 to 10-11.

¹⁴⁴ Rebuttal Workpapers, WP18.

372 Computer Equipment, and Account 348 Hydrants, all of which Cal Advocates criticized. There is no consistency to Cal Advocates' testimony on plant additions.

N. Rebuttal Testimony on Depreciation

Cal Advocates argues that the Commission should order Great Oaks to apply "Standard Practice U-4 Total Service Life, 25-40 years for the depreciation of Meter and Meter Installation assets."¹⁴⁵ Cal Advocates' witness is unfamiliar with Standard Practice U-4-W and has based her testimony on an incomplete reading of that standard.

Cal Advocates' witness tried out this argument on Great Oaks in one of her data requests and Great Oaks provided the witness with the correct usage of the standard practice, but Cal Advocates omitted these facts from her testimony. In Data Request DG-009, the Cal Advocates witness asked the following question, which received the answer shown from Great Oaks:

- a. Is there justification for deviation of the Service Life – Years from CPUC Standard Practice U-4 (p.30), which states that Meter Installations have a service life between 25-45 years? Please explain.

Response: Objection. The question misrepresents Standard Practice U-4-W, as it does not state that Meters have a service life between 25-40 years. Standard Practice U-4-W specifically notes: "Plant of a particular utility may justify a service life outside of above range." See Note 1 on the same page 30 cited in question 4.a. Without waiving this objection, Great Oaks states that 15 years is used based upon Great Oaks' experience with meters. Also of relevance is General Order 103-A, which provides the maximum time periods for meters in service and Great Oaks' meter replacement program approved by the Commission. Because of these factors – Great Oaks' experience with meters, General Order 103-A, and the meter replacement program – Great Oaks has used 15 years for meter depreciation purposes since its 2005

¹⁴⁵ Cal Advocates Report, at p. 10-11.

General Rate Case, with specific approval of the Commission and what is now known as the Public Advocates Office.¹⁴⁶

In its response to the Data Request, Great Oaks accurately advised the Cal Advocates witness of the language of Standard Practice U-4-W. In her testimony, the Cal Advocates' witness omitted the pertinent language of Standard Practice U-4-W. There is no legitimate reason for omitting this pertinent language nor Great Oaks' explanation for its use of 15 years as the depreciation period for meters and meter installations. Her omission produced misleading testimony which should be both rejected and discouraged.

Great Oaks is in compliance with Standard Practice U-4-W and its depreciation factors for all types of plant in service should be accepted and adopted.

O. Rebuttal Testimony on Water Quality

Cal Advocates does not challenge or oppose Great Oaks' proposals and projected costs pertaining to water quality and recommends that Great Oaks' proposed costs for water quality testing and compliance be accepted and adopted. Great Oaks, of course, agrees with this assessment.

Great Oaks' Application stated: "Great Oaks is in compliance with all water quality regulations and requirements and requests that the Commission make a finding that Great Oaks' water quality meets all applicable state and federal drinking water standards and the provisions of General Order 103 based upon the evidence presented."¹⁴⁷ Cal Advocates' testimony states:

GOWC meets all applicable state and federal drinking water standards according to its water quality information submitted in response to the Commission's Minimum Data Requirements (MDR), its application, testimony, and the most recent DDW inspection reports available for GOWC, and an appraisal of the GOWC system provided by the SWRCB DDW engineers.¹⁴⁸

¹⁴⁶ See Great Oaks Water Company Response to Data Request DG-009 in the Appendix to this Rebuttal Testimony.

¹⁴⁷ Application 21-07-001, paragraph 7, at p. 6.

¹⁴⁸ Cal Advocates Report, at p. 11-1.

Cal Advocates also stated: “DDW confirmed that GOWC has complied with all applicable state and federal water quality standards since 2018 and with DDW’s permit provisions.”¹⁴⁹

As there are no disputed issues pertaining to water quality expenses or compliance, Great Oaks requests that a specific finding be made that Great Oaks is and has been in complete compliance with all applicable state and federal drinking water standards and applicable provisions of General Order 103 since 2018. Great Oaks’ projected water quality expenses should be accepted and adopted.

P. Rebuttal Testimony on Income Taxes

1. Rebuttal Testimony on CCFT.

Cal Advocates’ witness on income taxes proposes a revision to the method used by Great Oaks and the Commission in all of Great Oaks’ general rate cases since 2009 for estimating the Test Year California Corporate Franchise Tax (CCFT). Rather than use an actual calculation of the expected CCFT, Cal Advocates wants Great Oaks to use the CCFT adopted in Great Oaks’ escalation advice letter for current rates for 2021/2022.¹⁵⁰

It should be noted that the Commission Decision relied upon by the Cal Advocates witness does not directly address the method used by Great Oaks, which is a simple calculation of CCFT based upon the projected revenues and deductions and the actual CCFT rate (8.84%).¹⁵¹ The Cal Advocates witness did not evaluate Great Oaks’ method, nor did the witness acknowledge that the same method has been used for Great Oaks in past general rate cases.

Great Oaks fails to see how using the adopted CCFT for rate year 2021/2022 for Test Year 2022/2023 produces anything other than an incorrect CCFT estimate. The CCFT adopted for rate year 2021/2022 is based upon adopted taxable income of \$1,337,485, while the projected taxable income for CCFT purposes in Test Year

¹⁴⁹ *Id.*, at p. 11-4.

¹⁵⁰ *Id.*, at pp. 12-1 to 12-2.

¹⁵¹ See Rebuttal Workpapers, at WP43 – TY 2022 2023 Taxes.

2022/2023 is \$1,606,324.¹⁵² Clearly, the method recommended by the Cal Advocates witness under-estimates CCFT for Test Year 2022/2023 and produces inaccurate rates for the Test Year.

Great Oaks does not agree that the method recommended by Cal Advocates' witness is appropriate or correct and believes the Commission should accept and adopt Great Oaks' more accurate methodology.

2. Rebuttal Testimony on Weighted Average Interest Rate.

Cal Advocates' witness correctly states that the weighted average interest rate is 1.95% (6.5% x 30% = 1.95%).¹⁵³ Great Oaks' use of a 2.25% weighted average interest rate was an inadvertent mistake that has been corrected in the Rebuttal Workpapers.¹⁵⁴

Q. Rebuttal Testimony on Taxes Other Than Income

All of Cal Advocates recommendations for taxes other than income are based upon the acceptance of Cal Advocates' recommendations with respect to eliminating four authorized employment positions, estimating utility plant, and projected revenues.¹⁵⁵ In each instance, Cal Advocates acknowledges that Great Oaks' methodology is correct.¹⁵⁶

Because Great Oaks does not agree with Cal Advocates' recommendations on employees,¹⁵⁷ plant,¹⁵⁸ and projected revenues,¹⁵⁹ Great Oaks' position on those issues should be accepted and adopted, together with Great Oaks' estimation of taxes other than income.

¹⁵² *Id.*

¹⁵³ Cal Advocates Report, at pp. 12-2 to 12-3.

¹⁵⁴ Rebuttal Workpapers, at WP43 and WP56.

¹⁵⁵ Cal Advocates Report, at pp. 13-4 to 13-6.

¹⁵⁶ *Id.*

¹⁵⁷ See Section I., above.

¹⁵⁸ See Section M., above.

¹⁵⁹ See Section __, below.

R. Rebuttal Testimony on Rate Base

1. Rebuttal Testimony on the Working Cash Component of Rate Base.

The Cal Advocates witness on Rate Base issues has been with Cal Advocates since 2019 and has no experience whatsoever with business operations, including the business operations of a water utility regulated by the Commission.¹⁶⁰ The witness certainly knows nothing about Great Oaks' business operations. This lack of knowledge is evident throughout the witness' testimony.

The witness also has no experience addressing the issue of working cash in a general rate case. There is nothing in her qualifications suggesting that the witness has ever testified on working cash issues (or any other issue) in a water utility general rate case.¹⁶¹ The witness' qualifications are silent with respect to whether the witness has ever performed a working cash allowance study.¹⁶²

The witness' lack of experience with working cash and working cash allowance studies is relevant because Commission Standard Practice U-16-W Determination of Working Cash Allowance states:

This report covers the suggested procedures the analyst should be familiar with before undertaking a working cash allowance study. Two methods are set forth: A simplified basis, and a detailed basis. Deviations to this standard are acceptable but must be approved by the Project Manager.¹⁶³

There is no indication in the witness' qualifications that she is at all familiar with either method for conducting a working cash allowance study.

There are, however, indications that the witness does not really know or understand the purpose of the working cash component of rate base. In Standard Practice U-16-W, the working cash component of rate base is explained as follows:

Its purpose is to compensate investors for funds provided by them which are permanently committed to the

¹⁶⁰ Cal Advocates Report, Attachment 5-1.

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ Standard Practice U-16-W, at p. 1-1.

business 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.¹⁶⁴

Put simply, it is not uncommon for a bill received by Great Oaks to be due and payable before Great Oaks has received the money to pay that bill from the services Great Oaks has provided to its customers. Great Oaks' investor (its owner) has committed money to the business so Great Oaks can pay its bills on time, i.e., without having to wait for customers to first pay their bills.

Cal Advocates' witness, however, has a different view of the purpose of the working cash component of rate base. She states: "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."¹⁶⁵ By stating that she believes the working cash component of rate base is money Great Oaks "is allowed to recover" from its customers demonstrates that Cal Advocates' witness does not even know that the true source of Great Oaks' working cash is the owner of the company and not ratepayers.

The witness' lack of knowledge and experience manifests itself in her testimony when she concludes that Great Oaks should use the "detailed" method for calculating the working cash component of rate base because Great Oaks is a "major" utility, like San Jose Water Company and California Water Service.¹⁶⁶ The only ways that Great Oaks is like San Jose Water Company and California Water Service is that they are all water utilities.

Both San Jose Water Company and California Water Service are publicly-traded companies; Great Oaks is owned by John Roeder, the son of its founders, Walter and Betty Roeder. In 2020, San Jose Water Company reported operating

¹⁶⁴ *Id.*, at p. 1-2.

¹⁶⁵ Cal Advocates Report, at p. 14-2 (emphasis added).

¹⁶⁶ *Id.*, at p. 14-3.

revenues of \$407,906,053.¹⁶⁷ Great Oaks’ operating revenues in 2020 were less than 6% of San Jose Water Company’s, coming in at \$24,021,299.¹⁶⁸ California Water Service is the largest regulated American water utility west of the Mississippi River and the third largest in the United States.¹⁶⁹ Nobody with any experience would consider Great Oaks a “major” utility as compared to either San Jose Water Company or California Water Service.

Interestingly, the page of Standard Practice U-16-W cited by the Cal Advocates witness upon which she relies to classify Great Oaks as a “major” utility provides a number of examples of “major” utilities.¹⁷⁰ The only water utilities listed are San Jose Water Works, California Water Service Company, and Southern California Water Company (now known as Golden State Water Company, a subsidiary of publicly-traded American States Water Company¹⁷¹). All of the other utilities listed are energy utilities that are even bigger than San Jose Water Company, California Water Service, and Golden State Water Company.

The bottom line here is that the notion Great Oaks is a “major” utility in the same vein as San Jose Water Company, California Water Service, and Pacific Gas and Electric Company is without factual support. The only reason Cal Advocates is arguing that Great Oaks is a “major” utility is to apply the “detailed” working cash analysis to reduce Great Oaks’ rate base. This is a completely contrived and factually deficient tactic.

Cal Advocates’ witness then goes on to state:

Using the detailed working cash allowance calculation consistent with the Commission Standard Practices would result is [sic] a projected working cash amount of \$2,096,524 in TY 2022/2023 and \$2,210,086 in 2023/2024.

¹⁶⁷ 2020 Annual Report of San Jose Water Company to the Public Utilities Commission, State of California, at p. 7 of 76.

¹⁶⁸ 2020 Annual Report of Great Oaks Water Company to the Public Utilities Commission, State of California, at p. 8 of 71.

¹⁶⁹ <https://www.calwater.com/about/company-information>.

¹⁷⁰ Standard Practice U-16-W, at p. 1-2.

¹⁷¹ Golden State Water Company reported 2020 operating revenues of \$328,536,687, per its Annual Report to the Commission.

This would save ratepayers \$897,681 in TY 2022/2023 and \$1,162,040 in 2023/2024.¹⁷²

If there was any lingering doubt about whether Cal Advocates’ witness understands the working cash component of rate base, this testimony conclusively confirms the witness has no understanding at all. The witness is testifying that the working cash component of rate base is sourced from customers and that reducing the working cash component of rate base saves customers the differences in the amounts of working cash resulting from the detailed and simplified basis methods. This is untrue and misleading.

As noted above, Standard Practice U-16-W states that the working cash component of rate base comes from “funds provided by [investors].”¹⁷³ It is not true that the funds are provided by customers, as the Cal Advocates witness testifies.

And, because the topic under discussion is the working cash component of rate base, the true “cost” of the working cash component of rate base is calculated by applying the authorized rate of return on rate base to the working cash component. It is directly misleading to testify that Cal Advocates’ approach to this issue will save ratepayers the difference in working cash amounts. Rebuttal Table 24, below, shows the true difference in “costs” to ratepayers from the detailed and simplified basis methods of calculating the working cash component of rate base.

Rebuttal Table 24
True Cost of Working Cash Component of Rate Base

Item	TY 2022/2023	EY 2023/2024	AY 2024/2025
Working Cash – Simplified Method	\$2,828,650	\$3,178,621	\$3,381,679
Working Cash – Detailed Method	\$2,096,524	\$2,210,086	\$2,333,058
Difference	\$732,126	\$968,535	\$1,048,621
Authorized Return on Rate Base	8.15%	8.15%	8.15%
Working Cash Return on Rate Base	\$59,668	\$78,936	\$85,463

As shown, Cal Advocates’ witness has grossly overstated the impact on customers of using the detailed basis method instead of the simplified basis method for calculating the working cash component of rate base. As the authorized return

¹⁷² Cal Advocates Report, at p. 14-3.

¹⁷³ Standard Practice U-16-W, at p. 1-2 (emphasis added).

on rate base (net operating revenue) is a fixed cost, 75% of the difference would be included in the service charge calculations and 25% of the difference would be included in the quantity charge calculations. Ultimately, the total cost to customers of using the simplified basis method is under \$2.80 each in the Test Year and not \$41.72 per customer as Cal Advocates has suggested, assuming an equal distribution of the difference among the projected number of customers (21,518).

Every aspect of the testimony of Cal Advocates' witness on calculating the working cash component of rate base is incorrect. Great Oaks has utilized the simplified basis method throughout the entire time the Commission has reviewed and ruled upon Great Oaks' rates. There are no facts justifying a change in methodology. Standard Practice U-16-W does not require rote application of the detailed basis method because Great Oaks is a Class A water utility, but instead recommends a practical approach to determining which method to use:

In the final analysis the amount of working cash to be included in the rate base must rest upon the analyst's judgment. The amount of working cash allowance in the end result is essentially a judgment amount based upon what the analyst believes to be fair and reasonable for the operations of the utility but within the limitations dictated by the size of the utility and staff policy.¹⁷⁴

Great Oaks' staffing and resources do not lend themselves to employing the detailed basis methodology. Great Oaks complied with the requirement to present the detailed basis method for comparison purposes, but Great Oaks does not have the resources necessary to keep the process updated as would be required. Using the simplified basis method is consistent with a practical application of Standard Practice U-16-W. Great Oaks requests that its use of the simplified basis method of calculating the working cash component of rate base be accepted and adopted over the completely flawed approach and rationale employed by Cal Advocates.

¹⁷⁴ Standard Practice U-16-W, at p. 1-3.

2. Rebuttal Testimony on Adjustments to Utility Plant, Depreciation Reserve, and Deferred Taxes.

As noted in Cal Advocates’ testimony, the differences between Great Oaks and Cal Advocates on the amounts for utility plant, depreciation reserves, and deferred taxes in rate base all stem from the differences in the testimony on those issues already addressed above. In each instance, Cal Advocates testifies that Great Oaks’ methodology is correct, with the only differences being Cal Advocates already addressed recommendations.¹⁷⁵

Based upon the rebuttal testimony already presented, and Cal Advocates’ endorsement of Great Oaks’ methodology, Great Oaks requests that its rate base projections, including all utility plant adjustments, depreciation reserves, and deferred taxes, be accepted and adopted.

3. Conclusion – Rebuttal Testimony on Rate Base.

Rebuttal Table 25 shows a comparison between Great Oaks’ and Cal Advocates’ positions on rate base. Great Oaks has fully addressed and rebutted/refuted each and every argument made by Cal Advocates and requests that Great Oaks’ projected rate base be accepted and adopted for each year covered by Application 21-07-001.

**Rebuttal Table 27
Comparison of Projected Rate Base**

Rate Year	Great Oaks’ Projected Rate Base	Cal Advocates’ Projected Rate Base
Test Year 2022/2023	\$17,697,348	\$15,530,964
Escalation Year 2023/2024	\$18,453,152	\$15,562,930
Attrition Year 2024/2025	\$18,776,192	\$15,594,896

S. Rebuttal Testimony on Revenues and Rates

Based upon this rebuttal testimony, Great Oaks has updated its revenue projections for the Test Year and beyond in the Rebuttal Workpapers included in the Appendix to this rebuttal testimony. A comparison of the original revenue requirements projected in Application 21-07-001 and the revenue requirements

¹⁷⁵ See Cal Advocates Report, at pp. 14-9 to 14-10.

projected in the Rebuttal Workpapers is provided in Rebuttal Tables 26 and 27, below.

Rebuttal Table 26
Projected Total Revenue Requirements
Original Projections

Rate Year 2021/2022	Test Year 2022/2023	Increase \$/ (%)	Esc. Year 2023/2024	Increase \$/ (%)	Att. Year 2024/2025	Increase \$/ (%)
\$21,738,457	\$24,357,293	\$2,618,836 (12.05%)	\$26,119,429	\$1,762,136 (7.23%)	\$27,999,199	\$1,879,770 (7.20%)

Rebuttal Table 27
Projected Total Revenue Requirements
Rebuttal Testimony

Rate Year 2021/2022	Test Year 2022/2023	Increase \$/ (%)	Esc. Year 2023/2024	Increase \$/ (%)	Att. Year 2024/2025	Increase \$/ (%)
\$21,738,457	\$23,065,988	\$1,327,531 (6.11%)	\$24,614,890	\$1,548,902 (6.72%)	\$26,249,409	\$1,634,519 (6.64%)

Clearly, the general rate case process has worked well, as the projected increase for the Test Year has been cut nearly in half. Differences remain between Great Oaks and Cal Advocates, of course, and the differences are shown in Rebuttal Table 28 below.

Rebuttal Table 28
Test Year 2022/2023 Operating Revenues Comparisons
Great Oaks vs Cal Advocates

Revenues	Great Oaks	Cal Advocates	Difference
Operating Revenues			
Metered Water Service Revenues	22,879,815	20,013,699	2,866,116
Fire Protection Revenues	186,173	220,380	-34,207
Miscellaneous Revenues	0	0	0
Other Water Revenues	0	0	0
Net Balancing Account Adjustment	0	0	0
Total Operating Revenues (excluding CPU)	23,065,988	20,234,079	2,831,909

The differences in projected Test Year Revenues are the result of differences in projected expenses and rate base, as shown in Rebuttal Tables 29 and 30, below. Great Oaks' expense projections are included in the Rebuttal Workpapers and are most easily seen on tab WP42 – Test Year 2022-2023 Smry.

Rebuttal Table 29
Test Year 2022/2023 Expense Comparisons

Expenses	Great Oaks	Cal Advocates	Difference
Operating Expenses			0
Net Payroll Expense	2,871,437	2,338,342	533,094
Groundwater Charges, Acct. 700	11,425,018	10,390,578	1,034,440
Op. Labor & Expense (Excluding Labor), Acct. 702	15,774	15,774	0
Misc. Pump Exp., Acct. 725	7,887	7,887	0
Purchased Power, Acct. 726	1,088,082	909,558	178,524
Maintenance Of Pumping Equipment, Accts. 711, 732	31,208	31,208	0
Chemicals & Filtering, Acct. 744	13,832	13,832	0
Meter Expense, Acct. 754	-9,448	-9,448	0
T&D Misc Expense, Acct. 756	7,887	7,887	0
T&D Maint & Supv., Accts 753, 758	0	0	0
Maintenance of Reservoirs & Tanks, Acct. 760	0	0	0
Maintenance of T&D Mains, Acct. 761	151,579	151,579	0
Maintenance of Services, Acct 763	36,613	36,613	0
Maintenance of Meters, Acct 764	0	0	0
Maintenance of Hydrants, Acct 765	5,740	5,740	0
Maintenance of General Plant, Acct 805	72,512	72,512	0
Meter Reading Expense, Acct 772	17,334	17,334	0
Customer Records & Collection, Acct 773	240,628	185,870	54,759
Uncollectible Accounts, Acct 775	45,014	39,487	5,527
Office Supplies & Other Expense, Acct 792	49,632	49,632	0
Property Insurance, Acct. 793	124,651	108,446	16,204
Injuries & Damages, Acct 794	61,240	47,049	14,191
Employee Pensions & Benefits, Acct 795	1,251,301	1,029,735	221,565
Franchise Requirements, Acct 796	260,738	228,726	32,012
Regulatory Commission Expenses, Acct 797	78,385	62,311	16,073
Outside Services, Including GRC Expense, Acct 798, 800	539,239	332,604	206,635
Miscellaneous General Expense Including CWA Dues, Acct 799	185,253	185,253	0
Rents, Acct 811	257,918	247,519	10,399
Transportation Expense, Acct 903	0	0	0
Passive Income 50% Ratepayer Credit	-80,946	-113,626	32,680
Total O&M and A&G Expenses	18,748,506	16,392,403	2,356,103

Rebuttal Table 30
Test Year 2022/2023 Comparison Depreciation, Taxes, Rate Base

Depreciation, Taxes, and Rate Base	Great Oaks	Cal Advocates	Difference
Depreciation Expense	1,572,529	1,375,510	197,019
Taxes Other than Income	518,545	497,177	21,368
Current State Income Tax	147,564	130,891	16,673
Current Federal Income Tax (Including DPAD)	364,087	325,059	39,027
Deferred Tax Expense - State	8,219	7,630	589
Deferred Tax Expense - Federal	264,204	239,635	24,569
Total Depreciation and Taxes	2,875,148	2,575,902	299,245
Total Operating Expenses	21,623,654	18,968,305	2,655,349
Net Operating Revenue	1,442,334	1,265,774	176,560
Rate Base	17,697,348	15,530,964	2,166,384

Great Oaks and Cal Advocates' projected revenues and expenses for Escalation Year 2023/2024 and Attrition Year 2024/2025 are also provided in their respective workpapers. For Great Oaks, please see Rebuttal Workpapers Great

Oaks Water Company A2107001 (Rebuttal Workpapers) in the Appendix to this Rebuttal Testimony.

1. Comment/Rebuttal to Testimony on Results of Operations Model.

The same Cal Advocates witness who did not understand how the working cash component of rate base provided testimony on Cal Advocates' Results of Operations Model.¹⁷⁶ The witness apparently had trouble with Great Oaks Exhibit E GRC Workpapers and the UPDATED Exhibit E GRC Workpapers, as she speaks of "circular formulas" that prevented her from incorporating Cal Advocates' recommended changes into the Cal Advocates "RO Model Workpapers" which were provided to Great Oaks after the submission of the Cal Advocates Testimony.

If the witness had merely informed Great Oaks of the troubles she was having, Great Oaks could have easily shown her how to cure the problem she was having. But there were no such communications from Cal Advocates. Instead, the Cal Advocates simply complains.

Interestingly, the entire Cal Advocates RO Model Workpapers are based upon the Exhibit E GRC Workpapers. The Exhibit E GRC Workpapers are also in the same format that Great Oaks has used for the last three general rate cases (including this one). Great Oaks does not experience the difficulties complained of by Cal Advocates witness.

2. Comments/Rebuttal to Cal Advocates' RO Report.

The differences between Great Oaks' projected revenues and expenses and those of Cal Advocates RO Report have been addressed in this rebuttal testimony. Great Oaks' rebuttal testimony has been incorporated into the Rebuttal Workpapers, including any concessions and corrections referenced in the rebuttal testimony. The Rebuttal Workpapers provide the data that Great Oaks believes is supported by the evidence and should be accepted and adopted in this general rate case.

¹⁷⁶ Cal Advocates Report, at pp. 16-1 to 16-2.

3. Comparison of Customer Bills Using Great Oaks' Projected Test Year Revenues and Expenses.

The following presents a comparison of an average single-family residential customer bill under current rates and an average single-family residential customer bill under rates requested by Great Oaks. For purposes of this comparison, the average single-family residential usage of 103.17 ccfs per year/8.65 ccfs per month has been used. This is the usage both Great Oaks and Cal Advocates now use. Current surcharges are included on the current bill. The bill computed for the Test Year 2022/2023 only includes surcharges that would still be in effect as of July 1, 2022.

Rebuttal Table 31
Average Single-Family Residential Customer Bill at Current Rates
3/4" x 3/4" Meter Using 8.6475 ccf per Month

Charge	Amount	Units	Total
Monthly Service Charge	\$25.03	2	\$50.06
Tier 1 Quantity Charge	\$2.4815	12	\$29.78
Tier 2 Quantity Charge	\$4.2825	5	\$21.41
M WRAM Surcharges (5)	\$1.2268	17	\$20.86
CAP Surcharge	\$0.1203	17	\$2.05
Subtotal			\$124.16
CPUC Fee	1.43%		\$1.78
Subtotal			\$125.94
SJ Utility Tax	5%		\$6.30
Total			\$132.24

Rebuttal Table 32
Average Single-Family Residential Customer Bill at Test Year Rates
3/4" x 3/4" Meter Using 8.6475 ccf per Month

Charge	Amount	Units	Total
Monthly Service Charge	\$23.84	2	\$47.68
Tier 1 Quantity Charge	\$2.8245	12	\$33.89
Tier 2 Quantity Charge	\$4.8744	5	\$24.37
M WRAM Surcharges (5)	\$0.5437	17	\$9.24
CAP Surcharge	\$0.1216	17	\$2.07
Subtotal			\$117.25
CPUC Fee	1.43%		\$1.68
Subtotal			\$118.93
SJ Utility Tax	5%		\$5.95
Total			\$124.88

Without the M WRAM surcharges, a current bill would be \$110.02 and a bill under the Test Year rates would be \$115.04. This represents an increase of \$5.02, or 4.56%.

At current rates, the monthly cost of water service is \$66.12 with M WRAM surcharges and \$55.01 without M WRAM surcharges. Under Test Year rates, the monthly cost would be \$62.44 with M WRAM surcharges and \$57.52 without M WRAM surcharges. At current rates, the annual cost of water service for an average single family residential customer is approximately \$793.44 with M WRAM surcharges and \$660.02 without M WRAM surcharges. Under Test Year rates, the annual cost would be \$749.28 with M WRAM surcharges and \$690.24 without M WRAM surcharges.

For a Great Oaks CAP customer using the average amount of water, a bi-monthly bill under current rates would be \$105.58 with M WRAM surcharges and \$83.36 without M WRAM surcharges. That translates to \$52.79 per month and \$633.48 per year with M WRAM surcharges and \$41.68 per month and 500.16 per year without M WRAM surcharges. Under Test Year rates, a CAP customer' bi-monthly bill would be \$99.49 with M WRAM surcharges and \$89.64 without M WRAM surcharges. That translates to \$49.75 per month and \$597.00 per year with M WRAM surcharges and \$44.82 per month and \$537.84 per year without M WRAM surcharges. The last of the M WRAM surcharges ends on November 15, 2022, so the costs without the M WRAM surcharges will exist for most of the Test Year.

III. Conclusion of Rebuttal Testimony

As discussed throughout the rebuttal testimony, Cal Advocates' positions on the disputed issues are the direct result of the mistakes and inexperience of the Cal Advocates witnesses. This is not the fault of the witnesses, as they did not assign themselves to these tasks, but the lack of qualifications and experience permeates the Cal Advocates testimony and recommendations.

Great Oaks renews its offer to help Cal Advocates learn more about Great Oaks by spending time and learning more about Great Oaks' operations in between general rate cases. This offer has been made numerous times but never acted upon. For a new or relatively new analyst with Cal Advocates to be expected to know about Great Oaks' operations simply from reading the application and responses to data requests is unreasonable. But, again, Great Oaks did not cause that problem. The problem is real and should not be overlooked, either in this general rate case proceeding or in the inherent weaknesses in the Cal Advocates organization.

Because there are so many errors in the Cal Advocates' analysis and testimony, its recommendations cannot be accepted. Cal Advocates' recommendations simply lack a reasonable and factual basis.

On the other hand, Great Oaks has provided genuine facts to support its positions on every issue. Great Oaks' conclusions and requests should be accepted and adopted.

At the projected rates, Great Oaks' water service will remain among the most affordable, if not the most affordable, in the State of California and will remain the most affordable in the City of San Jose. Accepting and adopting Great Oaks' requests will ensure that Great Oaks is able to provide safe and reliable water service at affordable prices. Great Oaks requests that its projected revenues and expenses be accepted and adopted.