

**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. \_\_\_\_\_

Filed: \_\_\_\_\_

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

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

The requested increase in rates is necessary for Great Oaks to recover projected expenses including a fair, just, and reasonable rate of return on its invested capital. The requested increase in rates will also permit Great Oaks to make additional and necessary investments in existing and new plant, property, and equipment to maintain and improve upon the high-level of service being provided to Great Oaks' customers.

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

**I. General Information**

**1) Information about the Applicant.**

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

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

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

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

a) Submitted with and incorporated by reference into this Application are the following Exhibits:

- Exhibit A: Proposed Rate Case Plan Schedule
- Exhibit B: Present and Proposed Rate Schedules
- Exhibit C: (Proposed) Notice to Customers

b) The following Exhibits are also incorporated by reference into this Application. These Exhibits are being served upon the Public Advocates Office (Cal PA) with this Application and will be provided to interested parties upon request, but the following Exhibits will not be filed.

- Exhibit D: Report on Results of Operations

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

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

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

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

	Last Full Recorded Rate Year 2019/2020	Adopted <sup>1</sup> Escalation Year 2021/2022	Projected Rate Year 2021/2022	Requested Test Year 2022/2023
Total Revenue Requirement <sup>2</sup>	\$20,192,593	\$21,738,588	\$22,482,112	\$24,357,293
Rate Base \$	\$16,674,273	\$16,832,272	\$16,912,119	\$17,965,208
Rate Base % Increase/(Decrease)	+2.81%	+0.95%	+0.47%%	+6.23%
Operating Expenses	\$19,706,338	\$20,366,627	\$21,103,774	\$22,892,519
Operating Expenses % Increase/(Decrease)	+7.58%	+3.35%	+3.62%	+8.48%
Rate of Return	2.92%	8.15%	8.15%	8.15%

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

<sup>1</sup> Adopted Escalation Year amounts are from approved Advice Letter 300-W-A.

<sup>2</sup> Total Revenue Requirement in this Summary Table does not include adjustments resulting from the Company's 2018 General Rate Case, as those were temporary debits/credits addressing past issues (e.g., Conservation Lost Revenue and Expense Memorandum Account, Contamination Proceeds Memorandum Account, "Tax Cuts and Jobs Act" Memorandum Account).

a) Groundwater Charges (Account 700): Groundwater charges are levied by the Santa Clara Valley Water District (SCVWD or Valley Water) against the groundwater the Company produces from its own wells located on its own properties. Of the total projected increase of \$1,838,697 in Test Year 2022/2023, \$1,210,962 (65.9% of the total increase) is directly due to increased groundwater charges levied by Valley Water. Groundwater charges paid by the Company to Valley Water represent the single largest cost incurred by the Company every year. In the current rate year, groundwater charges represent 88.2% of all Operating & Maintenance Expenses (O&M) (\$10,954,692 of \$12,414,592). In the Test Year, groundwater charges represent 87.48% of all O&M expenses (\$12,602,551 of \$14,405,949). Increases in groundwater charges are the primary and biggest reason for Great Oaks' rate increases every year and Valley Water intends to increase groundwater charges by more than 150% over the course of the next ten years (2021 – 2031). Great Oaks has been challenging the methodology utilized by Valley Water to levy groundwater charges for more than 15 years now and there still is no final judgment by the courts. See **Exhibit I** Litigation Summary.

b) Outside Services (Account 798): Outside services include a proposed new communications program and an extension/increase in the WaterSmart conservation program. The projected cost of the communications program is \$155,000, while the projected increases in the WaterSmart program are approximately \$33,220 per year so as to provide all customers with Water Report (eliminating the control group). See **Exhibit D**, Report on Results of Operations, Chapter 5 and **Exhibit 5-4**; see also **Exhibit E**, GRC Workpapers, A&G Expenses, WP-6.

c) Net Payroll Expense (Account 798): Normal payroll increases for the Company's employees are estimated to be \$135,285 in the Test Year and represent the third largest increase in Company expenses (7.4% increase) over projected 2021/2022 expenses. No new employees are requested in this Application. See

**Exhibit D**, Report on Results of Operations, Chapter 5; see also **Exhibit E**, GRC Workpapers, WP-10.

d) Total Depreciation and Taxes. The next largest increase in cost over projected 2021/2022 expenses is the combined increase in total depreciation and taxes. See **Exhibit E**, GRC Workpapers, WP-42.

e) Net Income. The fifth largest increase in cost, as compared to projected 2021/2022 expenses, is the \$85,827 (4.7%) increase in Net Income. This, of course, is a product of the rate base and the authorized rate of return.

**5) Issues of Controversy**. The major “controversial”<sup>3</sup> issues included in this general rate case filing are listed below. [**MDR I.C.**]

a) Water Sales Forecast. In compliance with the Commission’s Rate Case Plan (D.07-05-062, Commission Decision 16-12-026, and, most recently, D.20-08-047, the Company’s water sales forecast includes consideration of multiple factors.

b) Customer Communications Program. As noted above, the proposed customer communications program represents the largest portion of the increase in Account 798 Outside Services. With increasing emphasis on customer communications, the Company believes this will be money well spent. See **Exhibit D**, Report on Results of Operations, Chapter 5 Operating Expenses and **Exhibit 5-4** thereto.

c) Supplier Diversity Program Memorandum Account. Recently the Commission initiated Rulemaking 21-03-010 to revise the General Order 156 Supplier Diversity Program. Great Oaks is a party respondent to this Rulemaking because the Company is within the scope of recent legislation expanding certain aspects of the Program. Costs associated with compliance with the legislation are unknown at this time and cannot be estimated for purposes of this Application. Moreover, with the requested increases in revenue requirements for Escalation Year 2023/2024 and Attrition Year 2024/2025, Great Oaks will become a full participant in the Supplier Diversity Program. Costs of participation and

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<sup>3</sup> Because “controversial” is a relative term, Great Oaks understands that there is room for honest disagreement over this list.

compliance are unknown at this time and cannot be estimated for purposes of this Application. To address these costs, the Company is requesting a Supplier Diversity Program Memorandum Account to record, track, and ultimately recover compliance and participation costs not included in rates. See **Exhibit D**, Report on Results of Operations, Chapter 1 Introduction.

d) USEPA Lead and Copper Rule Revisions Expense Memorandum Account. On April 20, 2021, the State Water Resources Control Board issued an update to the United States Environmental Protection Agency's Lead and Copper Rule Revisions. As discussed in **Exhibit D**, Chapter 3 Company Operations and Basic Information, these revisions may require significant expenditures by the Company during the three-year period covered by this Application that cannot be estimated at this time. Because of this, the Company is requesting authority to establish a memorandum account to record, track, and ultimately recover such unplanned expenses.

**6) Proposed Notice to Customers.**

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

**7) Water Quality.**

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

In the Settlement Agreement between Great Oaks and the Public Advocates Office (Cal Advocates) adopted in D.19-09-010, Great Oaks agreed to perform the analysis necessary to determine the appropriate and approved manner of maintaining an approved continuous disinfection process for its entire system. Great Oaks' actions in this regard are included in **Exhibit D**, Report on Results of Operations, Chapter 3.

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

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

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

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

a) **Purchased Power:** The difference between adopted power rates and actual power rates multiplied by actual kilowatts used per the applicable rate schedule.

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

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

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

e) **Pension Expense Balancing Account.** The purpose of this account is to track the differences between Authorized Plan Expenses and SFAS 87 pension expenses for the Company's Defined Benefit Plan and Trust. Great Oaks requests minor adjustments to this account in this Application. See **Exhibit D**, Report on Results of Operations, Chapter 5 and **Exhibit 5-2** thereto.

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

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

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

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

c) Water Cost of Capital Adjustment Mechanism. The Company requests the continuation of this account, the purpose of which is to provide an automatic adjustment (up or down) to the Company's adopted return on equity. The reasons and basis for establishing the account have not changed.

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

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

f) Catastrophic Event Memorandum Account. The Company requests continuation of this account, the purpose of which is to record and recover the costs associated with the restoration of service and utility facilities affected by a



catastrophic event declared to be a disaster or state of emergency by competent federal or state employees.

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

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

Timothy S. Guster  
Vice President and General Counsel  
Legal and Regulatory Affairs  
Great Oaks Water Company  
PO Box 23490  
San Jose, CA 95153  
Telephone: (408) 227-9540 Extension 17  
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Email: tguster@greatoakswater.com

John W.S. Roeder  
Chief Executive Officer  
Great Oaks Water Company  
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Email: jroeder@greatoakswater.com

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

## II. Requests based upon Application

Great Oaks requests the following:

- 1) The Applicant requests that rates be authorized as proposed in this Application, consistent with the supporting testimony and documentation.
- 2) Great Oaks requests that it be authorized to maintain and/or modify its previously authorized balancing and memorandum accounts, as described above and in this Application, as well as to add requested balancing and memorandum accounts.
- 3) Great Oaks requests specific findings that it is in compliance with all applicable water quality requirements, all Commission General Orders, all Water Industry Rules, and all Ordering Paragraphs applicable to the Company.
- 4) Great Oaks requests that the Commission issue a final decision on this Application in compliance with Public Utilities Code §455.2 in a manner that ensures that the decision becomes effective on the first day of the test year.

Date: July 1, 2021

# Great Oaks Water Company

By:           /S/            
Timothy S. Guster  
Vice President and General Counsel  
Legal and Regulatory Affairs  
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## VERIFICATION

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

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

Executed at San Jose, California on July 1, 2021

/S/  
Timothy S. Guster