



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

FILED

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09:56 AM

Application of Great Oaks Water Company (U-162-W) for an Order authorizing it to increase rates charges for water service by \$1,442,313 or 8.50% in 2016, by 1,051,887 or 5.71% in 2017, and by \$683,236 or 3.51% in 2018.

A1507001

Application No. _____

Filed: _____

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

Date: July 1, 2015

Great Oaks Water Company
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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 previously been filed with the Commission by Great Oaks with Application A.09-09-001.
- b) 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 by virtue of its number of customers.

2) Exhibit List for this Application.

- a) Submitted with and incorporated by reference into this Application are the following Exhibits:
 - Exhibit A: Proposed Rate Case Plan Schedule
 - Exhibit B: Present and Proposed Rate Schedules
 - Exhibit C: (Proposed) Notice to Customers
- b) The following Exhibits are also incorporated by reference into this Application. These Exhibits are being served upon the Commission's Office of Ratepayer Advocates (ORA) with this Application and will be provided to interested parties upon request, but the following Exhibits will not be filed.
 - Exhibit D: Report on Results of Operations
 - Exhibit E: General Rate Case Workpapers
 - Exhibit F: Great Oaks Urban Water Management Plan
 - Exhibit G: Capital Project Justifications
 - Exhibit H: Minimum Data Requirements (MDR) and Cross-Index

- Exhibit I: Litigation Summary

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

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

Summary of Requested Revenue Requirement and Rate Base Changes

	Last Full Recorded Year 7/1/2013 – 6/30/2014 ¹	Last Adopted Year 7/1/2014 – 6/30/2015	Proposed Test Year 7/1/2016 – 6/30/2017
Total Revenue Requirement	\$16,578,051	\$14,628,693	\$18,412,807
Rate Base \$	\$11,893,486	\$13,207,233	\$17,620,420
Rate Base % Increase/(Decrease)	3.57%	0.68%	33.4%
Operating Expenses \$	\$13,964,216	\$13,426,835	\$16,809,349
Operating Expenses % Increase/(Decrease)	3.83%	(3.85%)	25.2%
Rate of Return	10.29%	9.10%	9.10%

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

- Capital Projects/Additions to Rate Base: Amount of Increase: \$4,413,187 increase over last adopted year (2014/2015), although this increase does not translate directly to a rate increase of equal amount in either dollars or percentage increase. Increases associated with capital projects are projected for Test Year 2016/2017. See **Exhibit G**, Capital Projects Justifications; see also **Exhibit E**, GRC Workpapers, Plant in Service Additions, pp. WP-14 to WP-16.
- Groundwater Charges (Pump Tax Expense): Amount of Increase: \$2,116,090 over last adopted year (2014/2015). The single largest increased expense, as compared to the last recorded year (2013/2014) and last adopted year (2014/2015) is the increase in groundwater charges (pump tax) paid by Great Oaks to the Santa Clara Valley Water District (SCVWD). In year 2013/2014, Great Oak paid \$6,621,870 in groundwater charges. In adopted year 2014/2015, the adopted groundwater charge expense was \$6,435,086. In Test Year 2016/2017, Great Oaks projects the groundwater charge to be \$8,551,176, an increase of 29.1% over the last recorded year (2013/2014) pump tax

¹ See notes in Exhibit E, GRC Workpapers, Summary of Earnings, p. WP-1.

expense and an increase of 32.9% over the last adopted year (2014/2015) pump tax expense. Groundwater charges levied by SCVWD are projected to increase to \$8,370,541 in rate year 2015/2016, an increase of 26.4% over the last recorded year (2013/2014) and an increase of 32.9% over the last adopted year (2014/2015). While Great Oaks has no control over this expense increase, Great Oaks is making every effort to reduce this burden on ratepayers by challenging the pump taxes levied by SCVWD. See **Exhibit I**, Litigation Summary.

c) Purchased Power Expense. Amount of Increase: \$165,221 over last adopted year (2014/2015). See **Exhibit E**, GRC Workpapers, Purchased Power Expense, page WP-9.

d) Maintenance Expenses for Mains and Services. Amount of Increase: \$91,012 over last adopted year (2014/2015). As the water system ages, maintenance expenses are increasing. This is most notable in Accounts 761 (Maintenance - T&D Mains) and 763 (Maintenance - Services). The Company will continue to monitor these expenses closely. The water system water loss is not increasing (see **Exhibit D**, Report on Results of Operations, Exhibit 8-1 Water Loss Audit), and that too will be monitored closely. The Company expects that in the not distance future the level of maintenance expenses and water loss will call for a main replacement program, but a main replacement program would not be cost effective at this time.

e) WaterSmart Home Water Reports: Amount of Increase: \$73,955 over last adopted year (2014/2015). The Company initiated a limited conservation program with WaterSmart Software that includes customizable Home Water Reports for single-family residential customers. The initial cost for 10,000 customers is shared between the Company and the Santa Clara Valley Water District. The Company requests authority to expand the program beginning July 1, 2016 to all single-family residential customers. See **Exhibit D**, Report on Results of Operations, Chapter 9, Section I.A.1.e.; see also **Exhibit E**, GRC Workpapers, A&G Expenses, Account 798, p. WP-6.

5) Issues of Controversy. The major “controversial”² issues included in this general rate case filing are listed below. [**MDR I.C.**]

² Because “controversial” is a relative term, Great Oaks understands that there is room for honest disagreement over this list.

a) Low Income Customer Assistance Program Surcharge. Great Oaks requests authorization to incorporate discounts and expenses associated with its Low Income Customer Assistance Program (LICAP) into a surcharge and establish a balancing account to record over- and under-collections of such discounts and expenses. Great Oaks currently records discounts and expenses of its LICAP in a memorandum account for later amortization. Now that the discounts and expenses are more predictable, it is appropriate to include such amounts in a regular surcharge. To ensure accuracy, the balancing account is proposed to prevent unintended over- and under-collections from the surcharge. See **Exhibit D**, Report on Results of Operations, Chapter 6, Section I.B.

b) Modification to Monterey-Style WRAM Account. Tiered conservation rates were first authorized for single-family residential customers in D.10-11-034, issued November 22, 2010. At the same time, the Commission authorized the Company to establish a Monterey-Style Water Revenue Adjustment Mechanism (WRAM) account to track and correct the difference between revenue collected under conservation rates and revenue that would have been collected under uniform rate design. Since that time, the Company has established a methodology for recording and collecting (through amortization) the balance in the Monterey-style WRAM account and the Commission has approved of this methodology on three separate occasions. Amortization of the balance in the WRAM account is triggered when the balance exceeds two percent (2%) of the Company's authorized total revenue requirement, even though the conservation rates only apply to single-family residential customers. The Company requests a modification to the terms of the WRAM account so as to permit amortization of the over- or under-collection in the WRAM account when the balance exceed two percent (2%) of the Company's authorized revenue requirement for single-family residential customers. See **Exhibit D**, Report on Results of Operations, Chapter 6, Section I.B.3.

c) Pension Expense Balancing Account. Because the cash contributions made by the Company and the expenses adopted for such contributions in ratemaking proceedings often vary widely, the Company is requesting a balancing account to record and track the differences between these two amounts. The requested balancing account has the same essential purpose as the Pension Expense Balancing Account authorized for San Jose Water Company. More

information and testimony for this request are provided in **Exhibit D**, Report on Results of Operations, Chapter 5, Section I.C.

d) Modification of Santa Clara Valley Water District Litigation Memorandum Account. In recognition of the length of time the court system is taking to resolve this issue – an amount of time well beyond the control of the Company – Great Oaks requests that this memorandum account be modified to remove the cap on expenses recoverable and to permit disposition of the proceeds of litigation, if any, on an equal basis between the Company and its ratepayers. See **Exhibit D**, Report on Results of Operations, Chapter 5, Section IV.

6) Proposed Notice to Customers.

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

7) Water Quality.

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

8) Proposed GRC Schedule.

Date	Action
May 1, 2015	Proposed Application Served on ORA
May 29, 2015 (Day -32)	ORA Evaluation and Issuance of Deficiency Letter
June 5, 2015 (Day -25)	Appeal to Executive Director of Commission
June 10, 2015 (Day -20)	Executive Director Acts
July 1, 2015 (Day 0)	GRC Application Filing Deadline
July 1, 2015 – Scoping Memo	Amendments filed/served
July 11, 2015 (Day +10)	Publish Notice of GRC Application – Rule 3.2(c)
July 11 – Sept. 14, 2015 (Day +10 – 76)	PHC Held
July 21, 2015 (Day +20)	Serve Notice of GRC Application – Rule 3.2(b)
August 14, 2015 (Day +45)	Deadline for Updates
July 11 – Sept. 28, 2015 (Day +10 – 90)	Public Participation Hearing(s)
October 5, 2015 (Day +97)	Distribution of ORA Testimony
October 5, 2015 (Day +97)	Distribution of Testimony by Other Parties
October 20, 2015 (Day +112)	Distribution of Rebuttal Testimony
October 23 – Nov. 2, 2015 (Day +115 – 125)	Alternative Dispute Resolution

Nov. 3 – Nov. 6, 2015 (Day +126 – 129)	Evidentiary Hearings
Dec. 7, 2015 (Day +160)	Opening Briefs Filed and Served
Dec. 7-8, 2015 (Day +160-161)	Motion for Interim Rates and Status Conference
Dec. 22, 2015 (Day +175)	Reply Briefs Filed and Served by ORA and other parties
January 11, 2016 (Day +190)	Great Oaks files Reply Brief with comparison exhibit
January 15, 2016 (Day +194)	Water Division Technical Conference
Feb. 25, 2016 (Day +240)	Presiding Officer’s Proposed Decision Mailed
March 16, 2016 (Day +260)	Comments on Proposed Decision
March 21, 2016 (Day +265)	Reply Comments Due
April 5, 2016 (Day +280)	Expected Commission Meeting
Decision +30 Days	Deadline for Filing Application for Rehearing

9) **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:** In this account, expenses and rebates related to Great Oaks’ Low-Income Customer Assistance Program are recorded as authorized by Resolution W-4594 and Commission Decision 11-05-020. In addition to the rebates provided through this program, the balancing account tracks expenses directly related to the administration of the program, including individual review of low-income program applications, data entry to enroll eligible customers, preparation and mailing of annual renewal notices, review of renewal applications, data entry for renewals, and low-income data exchanges as authorized in D.11-05-020. Great Oaks requests continuation of this account until a decision has been made on its request to include Low Income

Customer Assistance Program discounts and expenses in an annual surcharge, at which time the Company requests authority to amortize any remaining balance in this account.

- e) Amortization of Certain Balancing Accounts. The Company requests authority to amortize the combined balances in the following balancing accounts as of July 1, 2016: (1) AL 225-W-A Audit Cost Balancing Account; (2) Purchased Power Balancing Account; (3) Pump Tax, Non-Ag.; (4) Pump Tax, Ag.; and (5) AL 236-W Recovery of GRC Rehearing Settlement. The Company will present the combined balances in these accounts for amortization, with a date of the balances being May 31, 2016, upon authorization from the Commission in this proceeding. See **Exhibit D**, Report on Results of Operations, Chapter 5 Operating Expenses, Section III.

10) Requested Balancing Accounts. The Company requests the establishment of the following balancing accounts:

- a) Defined Benefit Plan Balancing Account. In its last general rate case, a plan was agreed upon and approved for modifications to and funding of the Company's defined benefit pension plan, with contribution amounts based upon funding the plan at a 110% level. Due to changes in Company personnel (retirement and resignation of more senior employees and hiring of new and younger employees) and investment rates of return, the amounts needed to maintain funding at the same 110% level have changed. To ensure necessary funding of the plan, the Company is proposing to revise the schedule of funding and add a balancing account to ensure that the plan is neither over- or under-funded and that the expenses associated with such funding are neither over- nor under-collected through rates. See **Exhibit D**, Report on Results of Operations, Chapter 5 Operating Expenses, Section I.C.

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

- a) Santa Clara Valley Water District Memorandum Account. This account tracks and records expenses incurred by Great Oaks in its litigation against the Santa Clara Valley Water District. See **Exhibit I**, Litigation Summary. The reasons and basis for establishing the account have not changed, although the number of lawsuits has increased due exclusively to the delay experienced in the court system. As a result, expenses

continue to accumulate. Had the court system delay not occurred, the first case would have been decided by now and the outcome of the subsequent cases would be clear. The Company requests that the cap on expenses in this memorandum account be removed, as the delay is well beyond the Company's control and should not serve as a basis to deny the Company reimbursement if that becomes appropriate. The Company also requests that it be given consideration when proceeds, if any, from the litigation are distributed, as the Company has incurred all of the risk of the litigation (while ratepayers have incurred none of the risk) and should, at a minimum, share in the proceeds, if any. See **Exhibit D**, Report on Results of Operations, Chapter 5, Section IV.

- b) Military Family Relief Program (MFRP) Memorandum Account. The Company requests the continuation of this account that provides benefits to members of the armed services and their families. The reasons and basis for establishing the account have not changed.
- c) 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.
- d) Water Cost of Capital Adjustment Mechanism. The Company requests the continuation of this account, the purpose of which is to provide an automatic adjustment (up or down) to the Company's adopted return on equity. The reasons and basis for establishing the account have not changed.
- e) 2010 Tax Act Memorandum Account. The Company requests continuation of this account, the purpose of which is to track on a CPUC-jurisdictional, revenue-requirements basis, the impacts, if any, of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The reasons and basis for establishing the account have not changed.
- f) Contamination Proceeds Memorandum Account. The Company requests continuation of this memorandum account, the purpose of which is to account for funds received by the Utility in the form of damage awards and settlements from parties responsible or

allegedly responsible for contamination of the Company's water supply or plant in service. The reasons and basis for establishing the account have not changed.

- g) Employee Health Insurance Memorandum Account. The Company requests continuation of this memorandum account, the purpose of which is to track and record incremental increases in the Company's health insurance expenses resulting from the Patient Protection and Affordable Care Act. The reasons and basis for establishing the account have not changed.
- h) CDPH Chromium-6 Compliance Memorandum Account. The Company requests continuation of this memorandum account, the purpose of which is to track expenditures (capital and operating costs) due to compliance related to the final Chromium-6 Maximum Contaminant Level or drinking water standard adopted by the California Department of Public Health. The reasons and basis for establishing the account have not changed.
- i) 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. The reasons and basis for establishing the account have not changed.

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

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
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Email: tguster@greatoakswater.com

John W.S. Roeder
Chief Executive Officer
Great Oaks Water Company
PO Box 23490

Great Oaks Water Company
General Rate Case Application

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, 2015

/S/
Timothy S. Guster