



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

FILED

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Application of Great Oaks Water Company (U-162-W) for an Order authorizing it to increase rates charges for water service by \$1,930,413 or 14.28%% in 2013, to decrease rates by \$477,210 or -3.09% in 2014, and to decrease rates by \$426,852 or -2.85% in 2015

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 earn a fair, just, and reasonable rate of return on its invested capital. The requested increase in rates will also permit Great Oaks to make additional and necessary investments in existing and new plant, property, and equipment so as to maintain and improve upon the high-level of service 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 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 the 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 DRA 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 2010 Urban Water Management Plan
 - Exhibit G: Capital Project Justifications
 - Exhibit H: Minimum Data Requirements (MDR) and Cross-Index
 - Exhibit I: Supplemental Data Request Responses (SDR) and Cross-Index
 - Exhibit J: Litigation Summary
 - Exhibit K: Comparison Exhibit

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.

Summary of Requested Revenue Requirement and Rate Base Changes

	Last Recorded Year 7/1/2010 – 6/30/2011	Last Adopted Year* 7/1/2012 – 6/30/2013	Proposed Test Year 7/1/2013 – 6/30/2014
Total Revenue Requirement	\$12,027,037	\$13,516,229	\$15,446,642
Rate Base \$	\$11,550,525	\$10,040,560	\$10,299,921
Rate Base % Increase/(Decrease)	(0.62%)	(13.07%)	(2.58%)
Operating Expenses \$	\$11,339,599	\$12,583,927	\$14,492,870
Operating Expenses % Increase/(Decrease)	4.58%	10.97%	15.15%
Rate of Return	9.26%	9.26%	9.26%

* Based upon projected escalation year filing for 2012/2103, as shown in Exhibit E, GRC Workpapers, pages WP-28 through WP-35. The escalation year advice letter filing was made by Great Oaks on May 15, 2012. The Commission approved Advice Letter 227-W on June 22, 2012 for rates effective July 1, 2012.

4) Primary Cost Increases.

a) Actual Water Sales were significantly lower than water sales Adopted by the Commission in D.10-11-034: In 2009/2010, the first year under the Company’s last general rate case decision, D.10-11-034 (corrected by D.11-02-003), the Commission’s projected sales (adopted quantities) were substantially higher than actual sales. This was caused by DRA’s insistence that Great Oaks’ customers were already employing conservation practices and water sales would only decline 6.5% as compared to prior years (Ironically, at the same time DRA was arguing that Great Oaks’ customers had already conserved as much as should be expected, DRA was also arguing that Great Oaks was not doing enough to encourage those same customers to conserve). Great Oaks’ projected water sales would decline by approximately 20% from the 2007/2008 levels to the first test year, 2009/2010. The Commission accepted DRA’s recommendation despite the lack of any analysis or evidence supporting it.

Actual water sales for 2009/2010 were 19.08% less than in 2007/2008, just as projected by Great Oaks. In fact, Great Oaks’ sales projection for 2009/2010 was within one percent (1%) of accuracy (actual deviation was 0.83%). The lower water sales in 2009/2010 were not (and could not have been) the result of conservation rates adopted in D.10-11-034 because those rates

were not yet in effect. Great Oaks offered proof that water sales would be as projected, but DRA opposed that offer and the Commission declined to accept that important information.

The same DRA analysis was accepted by the Commission in D.10-11-034 for the 2010/2011-year, again to Great Oaks' detriment. DRA projected the same sales in 2010/2011 as in 2009/2010, and the Commission accepted those figures. Great Oaks projected a slight increase in sales in 2010/2011 – as compared to Great Oaks' projected sales in 2009/2010. Once again, Great Oaks' projections were proven to be highly accurate. Actual sales for 2010/2011 were 10.42% less than the DRA/Commission adopted sales quantities, but were again within one percent of accuracy (actual deviation was 0.93%). Again, water sales in 2010/2011 were not the result of conservation rates because those rates only went into effect in March 2011 and the first customer bills under conservation rates were not received until early May 2011. Customers simply did not have the opportunity to change their water usage because of conservation rates before the end of the 2010/2011 period on June 30, 2011. In any event, water sales were slightly higher in 2010/2011 than in 2009/2010 (as predicted by Great Oaks), again showing that conservation rates had had no effect on water sales in 2010/2011.

In this general ratesetting proceeding, Great Oaks requests that the Commission give greater weight to Great Oaks' projected water sales. The same expert witness (Wendy Illingworth) prepared the water sales projections for this proceeding as for Great Oaks' last general rate case. The quality and integrity of her testimony and projections is of the highest order and should be accepted. It is believed that neither Great Oaks nor the Commission desires that rates be determined in this proceeding using the same sort of highly inaccurate water sales projections that were used in D.10-11-034.

It is at this point it is not possible to calculate the monetary value of adopting accurate water sales forecasts because Great Oaks does not know, at this time, DRA's water sales recommendations. When DRA provides that information, a dollar value can be established by comparing the different water sales projections.

Great Oaks is also requested a revenue-decoupling water revenue adjustment mechanism memorandum cost balancing account (MCBA) for the Test Year periods, beginning July 1, 2013. See Exhibit D, Chapter 6, pages 2 – 4.

b) Increased Employee Expenses: The Company is seeking authorization for four (4) new employees. The justification for the requested employees is provided in Exhibit D,

Chapter 5, pages 4 – 5 and pages 20 – 22; see also Exhibit E, GRC Workpapers, pages WP-6 and WP-9. Additional justification is provided in Exhibit G – Capital Budget Project Justifications (General Order 103 Meter Testing and Lead-Free Meter Replacement Program). As discussed in Exhibit D, Chapter 5, pages 4 – 5, Great Oaks has also reorganized its employee workforce to better serve its customers. The shifting of responsibilities and the addition of new duties fully supports the increased employee expenses and brings Great Oaks in line with other comparative water utilities. Employee benefits, primarily health care/health insurance costs and pension/retirement costs have also increased, as shown in the supporting documentation and workpapers. In Test Year 2013/2014, the total amount of the increase in employee benefit expenses (over escalation year 2012/2013) is \$1,569,334. See Exhibit D, Chapter 5, pages 29 – 30, and Exhibit E, GRC Workpapers, A&G Expenses and Employees & Salaries; pages WP-6, WP-6a, and WP-9.

c) Increased Pension and Benefit Expenses. These expenses are associated with the proposed new employees and the proposed modifications to the Company’s existing retirement benefits. The increase in expenses (for pension/retirement benefits only) is projected to be \$1,510,787 in the first test year (increase over prior escalation year expenses in this category). In the second and third test years the expenses are projected to be significantly lower, and those are the amounts that should be utilized in escalation filings rather than using an escalation factor based upon the first and second test year amounts. See Exhibit D, Chapter 5, pages 29 – 30; see also Exhibit E, GRC Workpapers, A&G Expenses, pages W-6 and WP-6a.

d) Increased Purchased Power Expenses. The Kwh expense is projected to increase by \$0.0136 from \$0.1346 to \$0.1482. The total purchased power expense is projected to increase from \$683,200 to \$784,260. The purchased power expense is subject to balancing account treatment. See Exhibit E, GRC Workpapers, O&M Expenses and Purchased Power Expenses, pages WP-4, WP-8.

e) Increased Pump Tax Expense. This increase is driven by the projected pump taxes for Test Year 2012/2013. The projected increase is from \$6,480,701 to \$6,590,322. See Exhibit E, GRC Workpapers, O&M Expenses, page WP-4.

f) Water Quality Testing Expenses: The Company will incur an additional one-time \$66,980 in Test Year 2013/2014 for mandatory water quality testing. In Test Years 2014/2015 and 2015/2016, the one-time additional costs for mandatory water quality testing will be \$7,880

and 51,220, respectively. Other water quality testing expenses are projected normally. See Exhibit D, Chapter 3, page 5, and Exhibit E, GRC Workpapers, A&G Expenses, page WP-6.

g) Rate Case Expenses/Regulatory Expenses: Outside rate case expenses are projected to be consistent with amounts approved by the Commission in D.10-11-034 and D.11-02-003. Outside regulatory expenses are projected to increase by \$100,000 each year. See Exhibit E, GRC Workpapers, A&G Expenses, page WP-6; see also Exhibit D, Chapter 1, page 8.

h) Capital Projects/Additions to Rate Base: See Exhibit G, Capital Projects Justifications. The additions to plant that will be made by Great Oaks before the start of Test Year 2013/2014 are described in Exhibit G and shown on Exhibit E, GRC Workpapers, Plant in Service Additions, pages WP-14 through WP-16. Plant in Service Additions for the Test Years are discussed in Exhibit G and shown in Exhibit E, GRC Workpapers, Plant in Service Additions, pages WP-14 through WP-16. Note: The Company is exploring the acceleration of capital additions to take advantage of the bonus depreciation rules currently in effect through the end of 2012. Any changes will be communicated and specified.

i) Rate Base: The primary driver of rate base calculations in the Test Years are the Plant in Service Additions being made in 2012/2013 that were not previously authorized and those requested in the Test Years. See Exhibit G, Capital Projects Justifications and Exhibit E, GRC Workpapers, Plant in Service Additions, pages WP-14 through WP-16.

j) Rate of Return. The Company expects that a rate of return will be established in cost of capital proceedings beginning May 1, 2012. All projections included with this Application and in the supporting exhibits and testimony are based upon the currently authorized rate of return of 9.26% on rate base.

5) Issues of Controversy

a) Actual Water Sales were significantly lower than water sales Adopted by the Commission in D.10-11-034: See Item I.4, above, and Exhibit D Chapter 4. If adopted water sales are based upon Great Oaks' projections, there will be no revenue effect from this issue. If inaccurate water sales quantities are adopted, then the revenue effect would be measured by the loss of revenues resulting to the Company from the inaccurate adopted water sales quantities. Great Oaks also requests authorization for revenue-decoupling WRAM and MBCA accounts to address this very important issue. See Exhibit D, Chapter 6, pages 2 – 4.

b) Increased employee expenses: Great Oaks has reorganized its employee workforce to better serve its customers. The shifting of responsibilities and the addition of new duties fully supports the increased employee expenses and brings Great Oaks in line with other comparative water utilities. Employee benefits, primarily health care/health insurance costs and pension/retirement costs are projected to increase as well, as shown in the supporting testimony and documentation. The dollar amount of this issue is See Exhibit D Chapter 5, pages 4 - 5; see also Exhibit E, GRC Workpapers, AG Expenses and Payroll Expenses, pages WP-6 and WP-9. See also item I.4.c., above.

c) Capital Projects/Additions to Rate Base: The proposed Additions to Plant and their revenue effects are provided in Exhibit E, GRC Workpapers, Additions to Plant and Rate Base, pages WP-14 – WP-16, WP-23. See Item I.4.e above. See also Exhibit G, Capital Projects Justifications.

d) Rate Base: The proposed Additions to Plant and their revenue effects are provided in Exhibit E, GRC Workpapers, Additions to Plant and Rate Base, pages WP-14 – WP-16, WP-23. See Item I.4.f, above. See also Exhibit G, Capital Projects Justifications.

e) Modifications to Conservation Rate Design. See Exhibit D, Chapter 9, pages 3 - 4. There is no projected change to the revenue due to the modifications.

f) No Projected Water Sales to Agriculture Customers. Due to business failures of now-former agriculture customers of the Company, no water sales are projected to farmers for the Test Years. Instead, Great Oaks is proposing special conditions to its General Metered Service Schedule that would provide qualifying agriculture customers with a quantity charge credit calculated so that it reflects the lower pump tax charged for agricultural water pumping. San Jose Water Company already has in place a Commission-approved special condition based upon the same computations. This issue has no projected revenue effect.

6) Proposed Notice to Customers

The proposed Notice to Customers is attached as Exhibit C.

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, Chapter 3.

8) Proposed Briefing Schedule.

Date	Action
May 1, 2012	Proposed Application Served on DRA
June 1, 2012 (Day -30)	DRA Evaluation and Issuance of Deficiency Letter
June 20, 2012 (Day -12)	Appeal to Executive Director of Commission
June 26, 2012 (Day -6)	Executive Director Acts
July 2, 2012 (Day 0)	GRC Application Filing Deadline
July 1, 2012 – Scoping Memo	Amendments filed/served
July 11, 2012 (Day +10)	Publish Notice of GRC Application – Rule 3.2(c)
July 11 – Sept. 13, 2012 (Day +10 – 75)	PHC Held
July 21, 2012 (Day +20)	Serve Notice of GRC Application – Rule 3.2(b)
August 14, 2012 (Day +45)	Deadline for Updates
July 11 – Sept. 28, 2012 (Day +10 – 90)	Public Participation Hearing(s)
October 5, 2012 (Day +97)	Distribution of DRA Testimony
October 5, 2012 (Day +97)	Distribution of Testimony by Other Parties
October 22, 2012 (Day +112)	Distribution of Rebuttal Testimony
October 23 – Nov. 2, 2012 (Day +115 – 125)	Alternative Dispute Resolution
Nov. 5 – Nov. 9, 2012 (Day +126 – 130)	Evidentiary Hearings
Dec. 10, 2012 (Day +160)	Opening Briefs Filed and Served
Dec. 10-11, 2012 (Day +160-161)	Motion for Interim Rates and Status Conference
Dec. 22, 2012 (Day +175)	Reply Briefs Filed and Served
Dec. 26, 2012 (Day +180)	Water Division Technical Conference
Feb. 25, 2013 (Day +240)	Presiding Officer’s Proposed Decision Mailed
March 18, 2013 (Day +260)	Comments on Proposed Decision
March 25, 2013 (Day +265)	Reply Comments Due
April 9, 2013 (Day +280)	Expected Commission Meeting
Decision +30 Days	Deadline for Filing Application for Rehearing

9) Existing Balancing Accounts.

On April 13, 2012, Great Oaks filed Advice Letter 224-W to amortize balancing accounts. On May 9, 2012, the Commission authorized a surcharge of \$0.1013/ccf, effective May 13, 2012, for a period of twelve months to recover the amortized 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: Expenses and rebates related to Great Oaks' Low-Income Customer Assistance Program, 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.
- 10) Memorandum and Balancing Accounts. The Company requests authorization for a Chrome VI Memorandum Account and an Employee Health Insurance Memorandum Balancing Account, each as described in Exhibit D, Chapters 3 and 5, respectively. The Company requests authorization to establish revenue-decoupling WRAM and MCBA accounts. See Exhibit D, Chapter 6. The Company also requests authorization to establish a Catastrophic Events Memorandum Account to track costs incurred restoring and re-establishing water service in the event of an uninsured catastrophic event. See Exhibit D, Chapter 8.
- 11) Revisions to Conservation Rate Design. Great Oaks proposes two changes to the conservation rate design, as discussed in Exhibit D, Chapter 9.
- 12) The name and address of the person to whom correspondence or communications in regard to this Application are to addressed is:

Timothy S. Guster
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Legal and Regulatory Affairs
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San Jose, CA 95153
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Great Oaks Water Company
General Rate Case Application

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II. Requests based upon Application

Great Oaks requests the following:

- 1) The Applicant requests that rates be authorized as proposed in this Application, consistent with the supporting testimony and documentation.
- 2) Great Oaks requests that it be authorized to maintain its previously authorized balancing accounts, as described above.
- 3) Great Oaks requests that it be authorized to establish the balancing and memorandum accounts requested in this Application, consistent with the supporting testimony and documentation.
- 4) Great Oaks requests that the Commission approve and authorize the requests made in Section I.4, I.5, I.7, I.9, I.10, and I.11 of this Application.
- 5) Great Oaks requests that the Commission issue a final decision on this Application in compliance with Public Utilities Code §455.2 in a manner that ensures that the decision becomes effective on the first day of the test year.

Date: July 2, 2012

Great Oaks Water Company

By: /S/
 Timothy S. Guster

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VERIFICATION

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

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

Executed at San Jose, California on July 2, 2012

/S/
Timothy S. Guster