

the assigned ALJ requested the Parties report to her on August 1, 2014 and to specifically advise of their progress toward final resolution and settlement. On August 1, 2014, the Parties reported that they had completed discovery and the exchange of information and were prepared to proceed to a settlement agreement. The Parties subsequently reported to the assigned Administrative Law Judge that they had reached a settlement in principal.

Throughout the proceedings on A.14-04-035, the Parties communicated regularly on the issues presented. On September 8, 2014, the Parties reached a tentative settlement on all issues presented. On September 9, 2014, Great Oaks served a Notice of Settlement Conference for September 17, 2014 pursuant to Rule 12.1(b) of the Commission Rules and conducted their settlement conference on that day pursuant to Notice.

During the settlement conference the Parties confirmed the settlement of all issues presented in A.14-04-035. Included within the issues being settled are a series of factual stipulations that are to be included in the record for this proceeding. Immediately thereafter the Parties completed the drafting of the Settlement Agreement and caused it to be executed on September 19, 2014.¹

III. REQUEST TO ADMIT TESTIMONY, EVIDENCE, AND STIPULATIONS OF FACT INTO THE RECORD

In addition to the testimony and exhibits submitted with the Application, the Parties have agreed to a series of stipulations to be included in the record for this proceeding and to serve as a partial basis for the full settlement of all issues presented. Pursuant to Commission Rule 13.8(d), the Parties respectfully request that the following testimony, exhibits, and stipulations be accepted and entered into the record for the proceedings on A.14-04-035:

1. Applicant Great Oaks Water Company (GOWC) is a California corporation in good standing and a Class A water utility regulated by the California Public Utilities Commission (Commission). GOWC's Articles of Incorporation, as

¹ The executed Settlement Agreement is attached to the Parties' Joint Motion for Adoption of Settlement Agreement as Exhibit A.

amended, were submitted with Application (A.) 14-04-035 as Exhibit B. (Application, p. 3; Guster Declaration², paragraph 5)

2. GOWC provides water service to approximately 20,500 customers in its authorized service area located in Santa Clara County, California, as evidenced and described in GOWC's authorized tariffs on file with the Commission. (Application, pp. 3-4; Guster Declaration, paragraph 5)

3. GOWC's principal place of business is located at 20 Great Oaks Boulevard, Suite 120, San José, California 95119. (Application, p. 4; Guster Declaration, paragraph 5)

4. GOWC's management includes John Roeder, Chief Executive Officer, Tim Guster, Vice President and General Counsel, and Ron Ceolla, Chief Financial Officer. Other key employees are Jared Ajlouny, Director of Construction, and Wendy Pon-Villalpando, Customer Service Manager. No changes to GOWC management or key employees are contemplated as part of the reorganization described in A.14-04-035. (Application, p. 4; Guster Declaration, paragraph 5)

5. GOWC has two shareholders: John W.S. Roeder (Roeder) and the John W.S. Roeder Continuing Trust (Trust). In addition to its regulated utility operations, GOWC also owns Great Oaks Water LLC, a California limited liability company (LLC). LLC owns the real estate and building housing GOWC's management offices, vehicle service bay, and customer service operations. GOWC also owns real estate in Idaho, Texas, and Oregon. (Application, p. 4; Guster Declaration, paragraph 5)

6. In compliance with Rules 3.6(e) and 2.3 of the Commission's Rules of Practice and Procedure, GOWC's financial statement as of December 31, 2013 was submitted with A.14-04-035 and attached as Exhibit C. (Application, p. 4; Guster Declaration, paragraph 5)

7. Applicant GOW Corporation (Corporation) is a Wyoming corporation in good standing. Corporation's Articles of Incorporation were submitted with A.14-04-035

² Declaration of Timothy S. Guster in Support of Joint Motion of GOW Corporation, Great Oaks Water Company, and the Office of Ratepayer Advocates to Admit Testimony, Exhibits, and Stipulations into the Record (Guster Declaration).

and attached to the Stipulation as Exhibit D. (Application, p. 4; Roeder Declaration³, paragraph 5)

8. Corporation is owned by Roeder and Trust, with each holding the same number and percentage of shares that each of Roeder and Trust own in GOWC. Corporation was formed for the purposes of the planned reorganization and has a principal place of business at 11418 Dennis Road, Dallas, Texas 75229. Roeder is the sole director and officer of Corporation. (Application, p. 4; Roeder Declaration, paragraph 5)

9. Corporation is qualified to transact business in the State of California in compliance with Rule 2.2 of the Commission's Rules of Practice and Procedure. (Roeder Declaration, paragraph 5) A copy of Corporation's Certificate of Qualification is attached to this Joint Motion as Exhibit E.

10. On April 22, 2014, GOWC and Corporation entered into a Contribution Agreement and Plan of Reorganization (Agreement), a copy of which was submitted with A.14-04-035 and attached as Exhibit A. The Agreement provides for a corporate reorganization that will result in the separation of assets, liabilities, and operations regulated by the Commission from assets, liabilities, and operations that are not regulated by the Commission. The purpose of the reorganization is to create clear separation between regulated and unregulated activities without in any way changing the ownership and control of regulated activities or affecting the Commission's authority to regulate those activities. (Application, pp. 2, 5, 6; Guster Declaration, paragraph 5; Roeder Declaration, paragraph 5)

11. A listing of the assets, liabilities, and operations being distributed from GOWC to Corporation is attached to this Joint Motion as Exhibit F. The values shown on Exhibit F are as of December 31, 2013. (Guster Declaration, paragraph 5; Roeder Declaration, paragraph 5)

12. The reorganization under the Agreement will not result in any interference or other disruption of regulated water service to GOWC customers or regulation of

³ Declaration of John Roeder in Support of Joint Motion of GOW Corporation, Great Oaks Water Company, and the Office of Ratepayer Advocates to Admit Testimony, Exhibits, and Stipulations into the Record (Roeder Declaration).

GOWC by the Commission. The reorganization ensures the continuous delivery of safe and reliable water to GOWC's customers. (Application, pp. 3, 6; Guster Declaration, paragraph 5)

13. The reorganization does not raise any concerns regarding the safety or GOWC's customers, employees, or the general public. (Application, p. 6; Guster Declaration, paragraph 5)

14. No GOWC employees are affected by the reorganization. To the extent any GOWC employees provide services of any kind to Corporation following the reorganization, GOWC will track and report on such activity in compliance with the Commission's Affiliate Transaction Rules and with GOWC's Compliance Plan for Affiliate Transactions and the Use of Regulated Assets for Non-Tariffed Utility Services. (Application, p. 4; Guster Declaration, paragraph 5)

15. Following the reorganization:

- a. GOWC and Corporation shall be separate legal entities (Stipulated Fact);
- b. GOWC shall observe, in all material aspects, all formalities and procedures required by its Articles of Incorporation, bylaws, and applicable corporate laws regarding the management of its business (Stipulated Fact);
- c. GOWC shall correct any known misunderstanding regarding the separate entity of GOWC, and shall not identify itself as a department or division of Corporation, but may identify itself as a subsidiary (Stipulated Fact);
- d. GOWC may only share its assets, funds, liabilities, or business functions with Corporation as permitted by D.10-10-019, or any other applicable Commission decisions or orders (Stipulated Fact);
- e. GOWC shall conduct business in its own name as an entity distinct from Corporation (Stipulated Fact);
- f. GOWC shall use stationery and the like bearing its own name on its stationery and other external communications, but may include for identification purposes, a tag line or descriptive information identifying GOWC as a member of Corporation's corporate family (Stipulated Fact);

g. GOWC shall maintain separate financial statements showing its assets and liabilities on a stand-alone basis, but these may be included in the consolidated financial statements of Corporation for financial reporting purposes (Stipulated Fact);

h. GOWC's accounting records shall be kept in accordance with the applicable Uniform System of Accounts (USOA), or as appropriate, Generally Accepted Accounting Principles (GAAP) and/or income tax statutes or regulations (Stipulated Fact);

i. GOWC shall not enter into financial transactions with Corporation that are disallowed in D.10-10-019, or any successor Decisions, except as permitted by the Commission (Stipulated Fact);

j. GOWC shall not issue, secure, or guarantee the debts of Corporation, except as permitted by the Commission (Stipulated Fact);

k. GOWC shall allocate any shared corporate support and services, pursuant to D.10-10-019 and any other applicable Commission decisions or orders (Stipulated Fact);

l. GOWC shall not make any loans to Corporation, except on terms that are substantially similar to those that would be available on an arms-length basis with unaffiliated third parties (Stipulated Fact); and

m. GOWC shall maintain its assets and liabilities, and books and records in a manner that enables a court to ascertain or identify its individual assets and liabilities as separate and distinct from those of Corporation (Stipulated Fact).

16. No costs of any kind associated with the reorganization are or will be requested from or otherwise passed on to GOWC ratepayers. Ratepayers will be exempt from any additional costs incurred by GOWC arising from the reorganization. Any expenses incurred in relation to the proceedings on A.14-04-035 (including, but not limited to taxes, outside legal expenses, and travel costs) shall be accounted for as non-utility expenses and shall not be included in the recorded base of any account included in the calculation of revenue requirement for future general rate cases. (Stipulated Fact)

17. The acquisition and reorganization will not affect GOWC's ability to fund or finance all of its public utility service obligations. After the acquisition and

reorganization, Corporation shall not impose upon GOWC any financial provisions that restrict or reduce the net worth of GOWC or hinders its capability to provide safe and reliable service to its ratepayers. (Stipulated Fact)

18. The reorganization does not make Corporation a guarantor of GOWC, but Corporation shall ensure that GOWC has adequate capital to fulfill all its public utility service obligations. The term “capital” encompasses “money and property with which a company carries on its corporate business; a company’s assets, regardless of source, utilized for the conduct of the corporate business and for the purpose of deriving gains and profits; and a company’s working capital,” and is not limited to mean only “equity capital, infrastructure investment, or any other term that does not include, simply, money or working cash.” (Stipulated Fact)

19. As a result of the acquisition and reorganization, no direct or indirect change in the environment will occur, as the property that is the subject of the reorganization will be used in the same manner as before the reorganization. The reorganization does not constitute a “project” under the California Environmental Quality Act (CEQA). (Application, pp. 7-8; Guster Declaration, paragraph 5; Stipulated Fact)

20. The reorganization is in the public interest because it will result in more efficient regulation of GOWC without any additional regulatory cost and without any disruption in service. First, GOWC will continue to operate as it has in the past, using the same name, operating authority, and existing tariffs. Second, GOWC will continue to possess the technical, managerial, and financial resources necessary to provide its authorized services. And, third, the Commission’s affiliate transaction rules and conditions will apply to transactions between the GOWC and the Corporation. (Stipulated Fact)

For ease of reference, the table below lists and describes the Exhibits that the Parties request be accepted and entered into the record for this proceeding.

Exhibits

Exhibit	Description
A	Contribution Agreement and Plan of Reorganization
B	Great Oaks Water Company Articles of Incorporation, as amended
C	Great Oaks Water Company unaudited financial statement as of December 31, 2013
D	GOW Corporation Articles of Incorporation

/s/

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