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A.15-07-001  
Joint Motion of Great Oaks Water Company and  
the Office of Ratepayer Advocates for Adoption of  
Settlement Agreement

Exhibit A

Settlement Agreement



this Settlement does not constitute approval of, or precedent regarding, any principle in any future proceeding, unless the Commission expressly provides otherwise.

**1.4** The Parties agree that no Party to this Settlement, or any Party's legal successors, predecessors, assigns, partners, joint ventures, shareholders, members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees thereof, assumes any personal liability as a result of this Settlement.

**1.5** The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedy pertaining to this Settlement, as provided by the California Constitution, Article XII, Section 8. No Party may bring an action pertaining to this Settlement in any local, State, or Federal court, or administrative agency, without having first exhausted its administrative remedies at the Commission.

**1.6** If any Party fails to perform its respective obligations under this Settlement, the other Party may come before the Commission to pursue a remedy including enforcement.

**1.7** The Parties agree that this Settlement is an integrated agreement and the provisions of the Settlement are not severable. Therefore, if the Commission rejects any term or portion of this Settlement, the Parties shall convene a conference within fifteen (15) days thereof and engage in good faith negotiations to determine whether some or all of the remainder of the Settlement is acceptable to the Parties. In the event an agreement is reached, all Parties must consent in writing to any changes or the Settlement is void. If the Parties cannot agree to resolve any issue raised by the Commission's actions within thirty (30) days of their conference, this Settlement shall be deemed to be rescinded, the Parties shall be released from any obligation, representation, or condition set forth in this Settlement, including their obligation to support this Settlement, and the Parties shall be restored to their positions prior to having entered into this Settlement. Thereafter, the Parties may pursue any action they deem appropriate.

**1.8** The Parties acknowledge and stipulate that they are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement, including each Party's right to discuss this Settlement with its legal counsel, and has exercised those rights, privileges, and duties to the extent deemed necessary.

**1.9** The Parties have determined that this Settlement is in their best interests, and more cost-effective than undertaking the expenses, delays, and uncertainties of further litigation. In executing this Settlement, each Party declares that the terms and conditions herein are reasonable, consistent with the law, and in the public interest. Therefore, the Parties will jointly request that the Commission accept and adopt this Settlement in its entirety and without modification or condition, as reasonable, consistent with the law, and in the public interest.

**1.10** The Parties agree that within three days of their execution of the Settlement they will jointly file this Settlement for Commission approval by joint motion under Commission Rule 12.1(a). In their joint motion, the Parties will ask that the Commission expeditiously consider and approve this Settlement in its entirety and without condition or modification.

**1.11** The Parties agree to support this Settlement and use their best efforts to secure the Commission's approval of this Settlement in its entirety and without condition or modification.

**1.12** The Parties agree to defend this Settlement before the Commission if the Commission's adoption of this Settlement is opposed by anyone else.

**1.13** Each Party hereto agrees without further consideration to execute and deliver such other documents and take such other actions as may be necessary to achieve the purposes of this Settlement, including, without limitation, furnishing such additional information, documents, and/or testimony as the Commission may require (with due regard for confidentiality) in issuing an order adopting this Settlement.

**1.14** The Parties acknowledge and agree that this Settlement has been jointly negotiated and drafted. The language of this Settlement shall be construed as a whole according to its fair meaning and not in favor of any Party.

**1.15** This Settlement constitutes the entire agreement and understanding between the Parties as to the subject of this Settlement, and supersedes any prior agreements, commitments, representations, or discussions between the Parties.

**1.16** This Settlement may not be amended or modified without the express written and signed consent of each Party hereto.

**1.17** No Party has relied or relies upon any statement, promise, or representation by any other Party, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.

**1.18** This Settlement and each covenant and condition set forth herein shall be binding upon the respective Parties hereto.

**1.19** This Settlement may be executed in counterparts by each Party hereto with the same effect as if all Parties had signed one and the same document. Any such counterpart shall be deemed to be an original and shall together constitute one and the same settlement.

**1.20** This Settlement shall become effective and binding on the Parties as of the date it is fully executed by all Parties.

**1.21** This Settlement shall be governed by the laws of the State of California as to all matters, including validity, construction, effect, performance, and remedy.

## **II. PROCEDURAL BACKGROUND**

**2.1** Great Oaks is a Class A water company regulated by the Commission. Great Oaks' headquarters is located in San José, in Northern California.

**2.2** Great Oaks' GRC Application (A.15-07-001) was formally filed on July 1, 2015. In support of its Application, Great Oaks submitted detailed testimony, Results of Operations Reports, supporting Work Papers, and numerous exhibits. On August 3, 2015, ORA filed its Protest to the Application.

**2.3** On August 5, 2015, Administrative Law Judge (ALJ) Gerald F. Kelly issued a Ruling on the Setting of a Prehearing Conference and requesting information from Great Oaks. On August 24, 2015, Great Oaks filed its Response to the request for information.

**2.4** On September 1, 2015, Great Oaks filed its Rule 3.2(e) Compliance Filing. A Prehearing Conference was held before ALJ Kelly on September 9, 2015. Also on September 9, 2015, ALJ Kelly issued an email Ruling concerning procedural matters.

**2.5** Great Oaks filed a motion for permission to update employee benefit expenses (health insurance) on September 16, 2015. On October 1, 2015, ORA filed its response to Great Oaks' motion, and on October 2, 2015, Great Oaks filed its reply to ORA's

response. On October 28, 2015, ALJ Kelly issued a ruling granting Great Oaks permission to update employee health insurance benefit expenses, and Great Oaks filed its update on October 28, 2015.

**2.6** ORA served its Report on Results of Operations on October 19, 2015.

**2.7** On October 20, 2015, a public participation hearing was conducted pertaining to Great Oaks' A.15-07-001.

**2.8** Great Oaks served its Rebuttal Testimony on November 3, 2015.

**2.9** On November 10, 2015, the Assigned Commissioner issued a Scoping Ruling categorizing the proceeding on A.15-07-001 as ratesetting and that evidentiary hearings would be required.

**2.10** Great Oaks filed a motion for interim rate relief on December 4, 2015.

**2.11** On January 22, 2016, the Parties notified ALJ Kelly that they had reached agreement on all issues presented in A.15-07-001.

**2.12** The Parties' original positions on each of the issues in A.15-07-001 are set forth in detail in the Joint Motion to Adopt Settlement to which this Settlement is attached and are not reiterated in this Settlement itself.

**2.13** This Settlement is comprised of the Settlement Agreement document and a comparative exhibit attached to the Settlement Agreement as Appendix A.

### **III. TERMS AND CONDITIONS OF THE SETTLEMENT**

#### **3.1 Customer Forecast**

The Parties agree on Great Oaks' forecast for classes and number of services by customer class for Test Year 2016/2017<sup>1</sup> as shown in Table 3.1 below. (See also Appendix A, Average Services, Page 2.)

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<sup>1</sup> Great Oaks' Fiscal Test Year is from July 1, 2016 through June 30, 2017.

Table 3.1  
Average Number of Services

<b>Customer Class</b>	<b>Great Oaks</b>	<b>ORA</b>	<b>Great Oaks Exceeds ORA</b>	<b>% Difference</b>	<b>Settlement</b>
<b>Metered Service</b>					
Single-Family Residential	19,598	19,598	0	0%	19,598
Multi-Family Residential	598	598	0	0%	598
Business	311	311	0	0%	311
Industrial	42	42	0	0%	42
Public Authority	157	157	0	0%	157
Schools	34	34	0	0%	34
Private Landscape	182	182	0	0%	182
Agriculture	6	6	0	0%	6
Total Metered Service	20,928	20,928	0	0%	20,928
Private Fire Protection	318	318	0	0%	318
Total Average Number of Services	21,246	21,246	0	0%	21,246

### 3.2 Water Sales

The Parties agree on Great Oaks’ forecast for total water sales of 4,358,930 units of one hundred cubic feet (Ccf) for Test Year 2016/2017. In reaching this agreement, the Parties considered all factors affecting forecasted sales, including historic trends and applicable state and local mandatory water conservation standards and requirements. (See Appendix A, Total Water Sales, Page 6.)

The Parties also agree on a forecast of 3.4% for Great Oaks’ unaccounted for water rate for Test Year 2016/2017. (See Appendix A, Total Water Sales, Page 6.)

### 3.3 Revenues

The Parties agree to revenues of \$15,816,811 for Test Year 2016/2017, which results in savings of \$2,595,996 (14.1%) for ratepayers when compared to Great Oaks’ original revenue request in A.15-07-001 of \$18,412,807. (See Appendix A, Summary of Earnings, Page 1.)

### **3.4 Operation and Maintenance (O&M) Expenses**

The Parties agree to O&M expenses of \$8,761,855 for Test Year 2016/2017, which results in a savings of \$1,183,634 (11.9%) for ratepayers when compared to Great Oaks' original O&M expense projection of \$9,945,489. (See Appendix A, Operation and Maintenance Expenses, Page 7.)

#### **3.4.1 Groundwater Charges**

The Parties agree to a groundwater charge ratio weighted 70% production to Zone W-2 and 30% production to Zone W-5. The Parties further agree that this same ratio will be used in any Great Oaks advice letter filings until the next GRC. These advice letter filings include, but are not limited to, groundwater surcharge implementations and escalation/attrition filings.

### **3.5 Administrative and General (A&G) Expenses**

The Parties agree to A&G expenses (other than payroll) of \$2,076,482 for Test Year 2016/2017, which results in a savings of \$571,883 (21.6%) for ratepayers when compared to Great Oaks' original A&G expense projection of \$2,648,365. (See Appendix A, Administrative and General Expenses, Page 8.)

#### **3.5.1 WaterSmart Pilot Program**

The Parties agree that Great Oaks' WaterSmart pilot program will continue through the current GRC. Account 798 Outside Services includes \$79,167 in Test Year 2016/2017 to fund the program. The Parties further agree that Great Oaks will present full and detailed results of the WaterSmart pilot program in its next GRC for ORA's evaluation if Great Oaks plans on seeking additional ratepayer funds for the WaterSmart water conservation program.

#### **3.5.2 California Water Association (CWA) dues**

The Parties agree to include \$51,632 in Test Year 2016/2017 for the non-lobbying portion of CWA dues. This agreement between the Parties is based on Great Oaks' express declaration that Great Oaks is joining the California Water Association.<sup>2</sup>

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<sup>2</sup> Great Oaks' Rebuttal Testimony, page 31.

### **3.5.3 Rent Expense**

The Parties agree to \$210,362 for Rent Expense beginning in Test Year 2016/2017. The Parties further agree this item will not be escalated during any of Great Oaks' escalation or attrition filings in order to maintain a straight-line annual amount of \$210,362 for each year of this GRC.

### **3.6 Employee Pension and Benefit Plan Expenses**

The Parties agree not to modify the amount of employee pension plan expenses agreed to in the settlement of Great Oaks' 2012 GRC. The Parties also agree not to modify the other terms of the employee pension plan settlement agreed to in the 2012 GRC.

The Parties expressly recognize that the end of the seven-year transition period agreed upon in the 2012 GRC settlement will occur on June 30, 2020 - the end of the Test Year for Great Oaks' next GRC (presently scheduled to be filed on or about July 1, 2018). The Parties also agree that Great Oaks may present other options to reduce future pension and/or retirement benefit expenses in its next GRC, including, but not limited to, closing enrollment to the current defined benefit pension plan and establishing a new retirement benefit plan (e.g., a tax-qualified, defined contribution pension account, more commonly known as a 401(k) plan) for new employees.

The Parties agree on \$875,845 for employee benefits and pension expense, including \$680,000 for the employee pension plan expense and \$125,195 for Medical Insurance expense, for Test Year 2016/2017, which results in a savings of \$178,145 (16.9%) for ratepayers when compared to Great Oaks' original request of \$1,053,990. (See Appendix A, Administrative and General Expenses, Page 8.)

### **3.7 Employees and Payroll Expenses**

The Parties agree on twenty (20) employees for Great Oaks. The Parties further agree on total payroll expense of \$2,261,632 for Test Year 2016/2017, which results in a savings of \$54,258 (2.3%) for ratepayers when compared to Great Oaks' original total payroll expense request of \$2,315,890. (See Appendix A, Administrative and General Expenses, Page 8.)

### **3.8 Capitalized Payroll**

Great Oaks originally capitalized a portion of field service payroll plus an amount capitalizing 10.6% of total payroll. The Parties agree to remove the capitalized portion of field service payroll and only apply Great Oaks' proposed capitalized payroll percentage of 10.6% of total payroll for this rate case cycle. (See Appendix A, Administrative and General Expenses, Page 8.)

### **3.9 Taxes Other Than Income**

#### **3.9.1 Payroll Taxes**

Based upon the agreed payroll expense, the Parties agree that the payroll tax amount for Test Year 2016/2017 is \$148,044. (See Appendix A, Taxes Other Than Income, Page 9.)

#### **3.9.2 Property Taxes**

The Parties agree on \$214,548 for property taxes for Test Year 2016/2017. (See Appendix A, Taxes Other Than Income, Page 9.)

### **3.10 Income Taxes**

Based upon the agreed revenues and expenses, the Parties agree that the California Corporate Franchise Tax (CCFT) and Federal Income Tax (FIT) for Test Year 2016/2017 are \$117,384 and \$435,129, respectively. (See Appendix A, Income Taxes, Page 10.)

The Parties agree that in the event Great Oaks implements the IRS Tangible Property Regulations (T.D. 9689), as referenced in the ORA Report, Great Oaks shall establish an appropriate memorandum account to track and record the effects of such implementation for future disposition.

The Parties also agree that Great Oaks will use the Deferred Income Tax balances shown in its 45-day update, as opposed to the balances from its original application.

The Parties also agree that Great Oaks will use a 7.5% weighted cost of debt, consistent with its most recent Cost of Capital decision, for purposes of calculating the interest expense amount used for the income tax deduction.

### **3.11 Plant in Service and Capital Additions**

Great Oaks provided detailed values for Plant in Service and requested additions to plant (See, e.g., Great Oaks' Exhibit E, GRC Workpapers, Pages WP-15 – WP18; Great Oaks' Exhibit G, Capital Projects and Justifications). ORA reviewed Great Oaks'

testimony and exhibits and conducted a field investigation of the proposed capital projects before submitting its detailed analysis and recommendations. ORA recommended approval of most of Great Oaks' requested capital additions.

Negotiations on the proposed source of supply capital projects focused on one of the three new groundwater wells proposed by Great Oaks. The Parties agree on the addition of one new groundwater well (referred to as Well 25<sup>3</sup>) to be placed into service in the Escalation Year 2017/2018, at a cost of \$794,750. Great Oaks withdraws its request for two additional groundwater wells for purposes of settlement (referred to as Wells 23A and 24A<sup>4</sup>), and the Parties agree that Great Oaks may request the same wells in a future GRC. The Parties further agree that the terms of this settlement will not be considered in evaluating any future GRC request for these wells.

The Parties also discussed the proposed Coyote Valley Storage Tank and, based upon those discussions, the Parties agreed that Great Oaks would withdraw its request for that capital addition in this GRC. The Parties further agree that Great Oaks may make this same request in a future GRC and agree that the terms of this settlement will not be considered in evaluating any future GRC request for the Coyote Valley Storage Tank.

The Parties further agree that Great Oaks will install chlorine ports at all twelve (12) of its requested sites in Test Year 2016/2017 to ensure adequate disinfection of its system's water supply.

The Parties discussed and agree on a ten percent (10%) contingency component for major plant additions. However, originally the Parties disagreed on the appropriate methodology for how to calculate the 10% component. For purposes of this settlement, Great Oaks agrees to use ORA's methodology. The contingency component is included in the agreed upon capital projects' costs.

Table 3.11 below provides a listing of the agreed-upon additions to Plant in Service and the capital costs of each.

Table 3.11  
Plant in Service Additions and Costs

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<sup>3</sup> Great Oaks Exhibit G, Capital Projects Justifications, p. 3.

<sup>4</sup> Great Oaks Exhibit G, Capital Projects Justifications, pp. 1-2.

Plant in Service Addition/Capital Project	Attrition Year 2015/2016		Test Year 2016/2017		Escalation Year 2017/2018	
	Requested	Agreed	Requested	Agreed	Requested	Agreed
<b>Source of Supply</b>						
Reservoir and Tanks	\$55,884	\$55,884			\$1,123,000	\$0
Well 23A			\$484,000	\$0		
Well 24A			\$396,000	\$0		
Well 25			\$798,500	\$0	\$0	\$794,700
<b>Water Treatment Plant</b>						
Chlorine Ports at Wells			\$70,000	\$69,300		
<b>Transmission/Distribution</b>						
T&D Mains	\$401,568	\$401,568				
Omira Dr./Lean Ave. Tie-in			\$35,800	\$35,530		
Brookmere Dr./Manilla Dr. Tie-in			\$100,100	\$99,330		
Via Romero/Via Barranca Tie-in			\$68,700	\$67,980		
Service Bypass for Booster Pump			\$34,200	\$33,880		
Country View Drive Main Extension			\$334,000	\$332,200		
Rahway Dr. Main Relocation			\$324,800	\$323,180		
Santa Teresa Pressure Sustaining Valve					\$86,400	\$85,580
Santa Teresa Booster Station					\$167,800	\$165,880
Valve Installation Hassinger Rd.			\$14,700	\$14,520		
Fire Mains	\$890	\$890				
Service Installations	\$24,796	\$24,796	\$30,000	\$30,000	\$30,000	\$30,000
Meter Replacement	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Valve Replacement (Acct. 343)			\$60,000	\$60,000	\$60,000	\$60,000
Hydrant Replacement	\$8,302	\$8,302	\$40,000	\$40,000	\$40,000	\$40,000
<b>General Plant Additions</b>						
Computer/Office Equipment	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Communications Equipment/Telephone Sys.			\$8,594	\$8,594		
SCADA System Replacement and Upgrade			\$232,700	\$232,700		
Hydraulic Modeling Software			\$51,000	\$51,000		
Transportation Equipment – Service Vehicle Replacements	\$69,000	\$69,000	\$48,000	\$48,000	\$24,000	\$24,000
Power Operated Equipment	\$2,722	\$2,722				
Tools, Shop & Garage Equipment	\$1,331	\$1,331				
<b>Plant Sub-Total</b>	\$614,493	\$614,493	\$3,181,094	\$1,496,215	\$1,581,200	\$1,250,160
Capitalized Labor/Mgmt.	\$320,082	\$320,082	\$340,655	\$239,733	\$347,571	\$244,600
Capitalized Fringe Benefit Allocation	\$463,659	\$463,659	\$155,036	\$103,847	\$187,361	\$104,489
<b>Total Plant in Service Additions</b>	\$1,078,152	\$1,078,152	\$3,676,786	\$1,839,795	\$2,116,132	\$1,599,249

### **3.11.1 Summary of Plant in Service and Capital Additions**

As shown in Table 3.11, above, the Parties agree upon Plant in Service and Capital Additions to rate base of \$1,839,795 in Test Year 2016/2017 and \$1,599,249 in Escalation Year 2017/2018. These amounts reflect a reduction of \$1,836,991 and \$516,883 for Test Year 2016/2017 and Escalation Year 2017/2018, respectively, from Great Oaks' original requests. (See Appendix A, Plant in Service, Page 11.)

### **3.12 Depreciation Expense and Reserves**

The Parties agree to a Depreciation expense of \$836,210 for Test Year 2016/2017, and \$875,579 for Escalation Year 2017/2018. (See Appendix A, Depreciation Expense, Page 12.) The Parties also agree to Average Accumulated Depreciation Reserve balances of \$22,682,284 for Test Year 2016/2017 and \$23,849,216 for Escalation Year 2017/2018. (See Appendix A, Depreciation Expense, Page 12.)

### **3.13 Rate base**

The Parties agree on the weighted average depreciated rate base of \$13,244,610 in Test Year 2016/2017, and \$14,345,155 in Escalation Year 2017/2018. (See Appendix A, Weighted Average Depreciated Rate Base, Pages 13-15.)

### **3.14 Customer Service**

The Parties recommend that the Commission adopt ORA's findings that Great Oaks' customer service is of good quality and is in compliance with Commission standards, including General Order 103-A customer complaint performance standards.<sup>5</sup>

The Parties further agree that the language on Great Oaks' bills for service substantially complies with its Tariff Rule No. 5, Section B.

The Parties also agree that the first time Great Oaks orders discontinuance of service notice forms after the Decision adopting this Settlement, Great Oaks will include the following items on its discontinuance of service notices, consistent with its Tariff Rule No.5.D:

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<sup>5</sup> ORA Report, pages 121 – 128.

- The procedure by which the customer may initiate a complaint or request an investigation concerning service or charges.
- The procedure by which the customer may request amortization of the unpaid charges.
- The procedure for the customer to obtain information on the availability of financial assistance, including private, local, state, or federal sources, if applicable.
- The telephone number of the Commission (Consumer Affairs Branch) to which inquiries by the customer may be directed. For water utilities operating in Northern California, the telephone number of Consumer Affairs Branch is (415) 703-1170 (public) or (415) 703-2032 (hearing impaired - TDD).

### **3.15 Water Quality**

The Parties recommend that the Commission adopt ORA's findings that Great Oaks is in compliance with all applicable state and federal water quality requirements and standards.<sup>6</sup>

### **3.16 Affiliate Transactions and Non-Tariffed Products and Services**

The Parties agree that Great Oaks will credit ratepayers \$36,884 in Test Year 2016/2017 for Non-Tariffed Products and Services revenue Great Oaks will receive, an increase of \$14,754 (66.7%) as compared to Great Oaks' corrected projection. (See Appendix A, Administrative and General Expenses, Page 8.)

The Parties further agree that Great Oaks will report the HomeServe NTP&S revenue under the category of Excess Capacity and Non-Tariffed Services beginning in its 2015 Annual Report.

### **3.17 Memorandum, Balancing, and Revenue Adjustment Mechanism Accounts**

#### **3.17.1 Memorandum Account Closures**

The Parties agree that the following Memorandum Accounts should be closed and removed from Great Oaks' authorized tariffs within sixty (60) days of the Decision adopting this settlement. Account balances as of June 30, 2015 are

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<sup>6</sup> ORA Report, pages 129 – 133.

shown, with over-collections indicated with a “+” and under-collections indicated with a “-”).

- 1) 2009 and 2010 Certified Public Accountant Audit Cost Memorandum Account (+\$11,181.67);
- 2) 2011 Certified Public Accountant Audit Cost Memorandum Account (\$0.00);
- 3) 2012 Certified Public Accountant Audit Cost Memorandum Account (\$0.00);
- 4) 2010 Tax Act Memorandum Account (\$0.00);
- 5) Military Family Relief Program Memorandum Account (\$0.00);
- 6) Employee Health Insurance Memorandum Account (\$0.00);

The Parties further agree that Great Oaks will maintain this account through June 30, 2016. After which Great Oaks will amortize and close the account;

- 7) Debt Issuance Memorandum Account (\$0.00); and
- 8) CDPH Chromium-6 Compliance Memorandum Account (\$0.00) (provided that its closure at this time does not preclude recovery of future compliance costs associated with Chromium-6 through other Commission-approved mechanisms).

### **3.17.2 Continuing Memorandum Accounts**

The Parties agree that the following existing authorized Memorandum Accounts should continue. Account balances as of June 30, 2015 are shown, with over-collections indicated with a “+” and under-collections indicated with a “-”).

- 1) Contamination Proceeds Memorandum Account: (Great Oaks’ reported balance is +\$657,007.29);

The Parties further agree that Great Oaks shall either file a Tier-3 Advice Letter to amortize the balance in this Memorandum Account prior to filing its next GRC application, or include a proposal for amortization in the next GRC application, with full justification for the proposal per Commission Decision 10-10-018;

- 2) City of San José Litigation Memorandum Account (-\$877.13);
- 3) Catastrophic Event Memorandum Account (\$0.00);

- 4) Conservation Lost Revenue and Expense Memorandum Account: (Great Oaks' reported balance is -\$675,216.41);  
Although ORA does not agree with Great Oaks' prior practice of recording employee-related costs in the Conservation Lost Revenue and Expense Memorandum account, the Parties agree that for settlement purposes ORA shall not contest Great Oaks' inclusion and amortization of employee-related costs in this Account through June 30, 2016, provided that Great Oaks' practice of recording such costs is consistent with its prior practice as reviewed by ORA in this proceeding. The Parties further agree that, effective July 1, 2016, employee-related costs are covered by authorized rates and Great Oaks may not record or amortize such costs. ORA reserves the right to contest any other aspect of Great Oaks' advice letter filing requesting amortization of the Conservation Lost Revenue and Expense Memorandum Account.
- 5) Santa Clara Valley Water District (SCVWD) Litigation Expense Memorandum Account (-\$2,566,922.26);  
The Parties further agree that the proper construction of the terms and conditions of this Memorandum Account provide that: (1) if Great Oaks does not prevail in the litigation, its request to recover expenses from ratepayers is capped at \$100,000; and (2) if Great Oaks does prevail in the litigation and actually recovers a monetary judgment or judgments from SCVWD, Great Oaks may first net out its total related litigation expenses before filing an advice letter to appropriately disburse any remaining litigation proceeds to ratepayers); and
- 6) Low Income Customer Assistance Program (LICAP) Memorandum Account (-\$398,920.14) (Note: June 2015 balance is included in the current recovery authorized by Resolution W-5047);  
The Parties further agree that Great Oaks will be replacing the LICAP Memorandum account with a LICAP balancing account and surcharge mechanism effective on July 1, 2016, as discussed in section 3.17.8 below. As a result, the Parties agree Great Oaks will no longer book costs into the

LICAP Memorandum account after June 30, 2016, and will close the LICAP Memorandum account once the June 30, 2016 balance is fully amortized. Although ORA does not agree with Great Oaks' prior practice of recording overhead and associated costs in the LICAP Memorandum Account, the Parties agree that for settlement purposes ORA shall not contest Great Oaks' inclusion and amortization of overhead and associated costs through June 30, 2016 provided that Great Oaks' recording of such costs are consistent with Great Oaks' prior practice as reviewed by ORA in this proceeding.

### **3.17.3 Balancing Account Closures**

The Parties agree that the following authorized Balancing Accounts should be amortized (if there is a balance in the account) and closed within sixty (60) days of the Decision adopting this settlement.

- 1) A.09-09-001 Limited Rehearing Under-Collection Balancing Account (-\$13,938.91);
- 2) True-Up Interim Rates to Final Rates Balancing Account (\$0.00);
- 3) Multiple Balancing and Memorandum Accounts Recovery Balancing Accounts (two (2) accounts with a combined balance of (-\$20,588.61).
- 4) WRAM - Recover 5/9/11 to 2/11/12 - Surcharge: 5/13/12 to 5/12/13 (-\$28,729.90).
- 5) WRAM - Recover: 4/16/12 to 1/7/2013 - Surcharge 1/15/13 to 1/14/14 (-\$15,864.02).
- 6) WRAM - Recover 1/10/13 to 8/8/14 - Surcharge 9/2/14 to 9/1/15 (-\$152,532.34).

### **3.17.4 Continuing Balancing Accounts**

The Parties agree that the following authorized Balancing Accounts should continue. Account balances as of June 30, 2015 are shown, with over-collections indicated with a "+" and under-collections indicated with a "-").

- 1) Purchased Power Balancing Account (-\$148,711.68);
- 2) Groundwater Other Than Ag Balancing Account (+\$379,853.40); and
- 3) Groundwater, Agricultural Balancing Account (+\$1,740.73).

The Parties further agree that Great Oaks shall correct Error 1, as described in the ORA's Report<sup>7</sup>, and Error 2, as described in the ORA Report.<sup>8</sup> For purposes of these error corrections, the Parties agree that the combined balances in the Groundwater Other Than Ag. and Groundwater, Ag. Balancing Accounts are as shown above, as of June 30, 2015.

### **3.17.5 Requested Pension Expense Balancing Account**

The Parties agree that beginning with Test Year 2016/2017 Great Oaks should be authorized to establish a Pension Expense Balancing Account (PEBA) that will capture the difference between the expense amount adopted by the Commission in rates and the SFAS 87 annual accounting expense amount (also known as the Net Periodic Benefit Cost), with adjustments for interest. The parties further agree that Great Oaks' PEBA should remain in effect for the three (3) years of this GRC and be reviewed in Great Oaks' next GRC. The specific agreed-upon Tariff language is attached as Appendix B to the Settlement.

### **3.17.6 Monterey-Style Water Revenue Adjustment Mechanism Account**

The Parties agree that Great Oaks' authorized Monterey-Style Water Revenue Adjustment Mechanism (WRAM) Account should continue. The Parties agree to not make any changes to the methodology used to amortize the balance in Great Oaks' WRAM account.

### **3.17.7 Request to modify the LICAP Tracking and Funding Mechanism**

Great Oaks requests to modify the accounting of LICAP costs and revenues by replacing the current mechanism with a forward-looking LICAP surcharge and a balancing account to track costs and surcharge revenues associated with the program. The Parties agree that Great Oaks will implement this requested change effective July 1, 2016. Great Oaks should be authorized to establish a Low Income Customer Assistance Program (LICAP) Surcharge Balancing Account. In addition, the following conditions shall apply to Great Oaks' LICAP program, surcharge, and LICAP Balancing Account:

- 1) LICAP participants will not be subjected to the surcharge;

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<sup>7</sup> ORA Report, pages 177 – 179.

<sup>8</sup> ORA Report, pages 179 – 181.

- 2) The overhead allocation will not be applied; and
- 3) Great Oaks will take the following steps to ensure LICAP program eligibility of enrollees:
  - a. Investigate the non-residential LICAP customer accounts identified by ORA in its report and discontinue their LICAP discounts if in fact they are not “qualifying residential” customers.
  - b. If Great Oaks identifies accounts that are non-residential or non-qualifying LICAP customers, discontinue the discounts and obtain reimbursements of past discounts (to the extent practicable) in accordance with following customer declaration in Great Oaks’ Application for Low-Income Customer Assistance Program (Exhibit ORA-2, Appendix B): “I state that the information I have provided in this Application is true and correct. I agree to provide proof of income if requested. I agree to inform Great Oaks Water Company (Great Oaks) if I no longer qualify to receive the LICAP discount. I understand that if I receive the discount without qualifying for it, I may be required to pay back the discount I received. I understand that Great Oaks can share my information with other utilities or their agents to enroll me in their assistance programs.” Any reimbursement recovered by Great Oaks shall be recorded in the LICAP Balancing Account.
  - c. If Great Oaks identifies accounts that are non-residential or non-qualifying LICAP customers, share such findings with the appropriate energy utility, in accordance with information presented in Item b. above.
  - d. Determine what changes to Great Oaks’ administration of the LICAP are needed to prevent providing LICAP discount to non-qualifying customers.
  - e. Propose modification to the Tariff Rule No. 22 if Great Oaks determines that its Tariff Rule No. 22 is not consistent with PG&E’s low-income customer program and shared data with regards to eligibility.
  - f. Provide a report on steps taken in accordance with each of the above action items, and associated results when Great Oaks files for its next LICAP cost recovery or in Great Oaks’ next General Rate Case, whichever is sooner.
- 4) The Test Year 2016/2017 LICAP Surcharge will be \$.0275/CCF and is calculated as follows:

Great Oaks Water Company GRC. A.15-07-001 Forecasted TY 2016/2017 LICAP Amount and Surcharge Calculation					
Meter Size	Monthly Charge	50% Discount	(x 12 months)	# Participants	Totals
5/8 inch	\$8.10	\$4.05	\$48.60	838	\$40,726.80
3/4 inch	\$12.23	\$6.12	\$73.38	973	\$71,398.74
1 inch	\$20.38	\$10.19	\$122.28	4	\$489.12
1.5 inch	\$40.76	\$20.38	\$244.56	1	\$244.56
Total LICAP amount:					\$112,859.22
Divided by non-LICAP Forecasted CCF sales:					4,101,054
Surcharge/CCF:					\$0.0275

5) Great Oaks shall be permitted to request adjustment of the LICAP surcharge as part of its escalation and attrition year advice letter filings.

### 3.18 Escalation and Attrition Filings

The Parties agree that Great Oaks will follow the methodology set forth in the Commission’s Rate Case Plan for its Escalation Year 2017/2018 and Attrition Year 2018/2019 filings.

### 3.19 Evidentiary Record

The Parties agree and stipulate to the admission of Great Oaks’ Prepared Testimony (Exhibits Great Oaks-1 through Great Oaks-8) and ORA’s Report on the Results of Operations (Exhibit ORA-1 through ORA-6), into the formal evidentiary record in this proceeding. The Parties agree to submit these Exhibits into the record by written motion pursuant to Rule 13.8(d), or in any other manner requested by the ALJ in this proceeding.

## IV. CONCLUSION

4.1 The Parties mutually believe that, based on the terms and conditions set forth above, this Settlement is reasonable, consistent with law, and in the public interest.

4.2 Each Party to this Settlement represents that its signature to this Settlement is authorized and binds each respective Party to this Settlement.

GREAT OAKS WATER  
COMPANY

By:   
John Roeder  
Chief Executive Officer

Date: 2-25-16

OFFICE OF RATEPAYER  
ADVOCATES

By:   
Linda Serizawa  
Interim Director

Date: 2/25/2016

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**Settlement Agreement  
Appendix A  
Comparison Exhibit**

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**Summary of Earnings  
Test Year 2016/2017**

Values in Actual Dollars

	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>Operating Revenues</b>					
Water Service Revenues	18,332,067	17,437,499	14,850,233	19.0%	15,736,071
Fire Protection Revenues	80,740	80,740	80,740	0.0%	80,740
Other Revenues	0	0	0	0.0%	0
<b>Total Operating Revenues</b> (Excluding CPUC Fees)	<b>18,412,807</b>	<b>17,518,239</b>	<b>14,930,973</b>	18.9%	<b>15,816,811</b>
Inc/-Decr over Present Rates	8.5%	3.2%	-12.6%		-6.8%
<b>Expenses</b>					
O&M and A&G Expenses	12,593,854	12,190,318	10,003,158	20.6%	10,838,337
Payroll Expenses	1,975,235	2,068,633	1,826,088	7.6%	2,021,899
Depreciation Expenses	1,092,769	1,121,545	1,092,769	0.0%	836,210
Taxes Other Than Income	381,511	385,199	341,203	10.6%	362,593
CCFT	163,848	112,949	107,158	34.6%	117,384
FIT (incl. DPAD)	602,131	434,580	415,196	31.0%	435,129
Fed. Def. Tax Expense	0	0	0	0.0%	0
<b>Total Expenses</b>	<b>16,809,349</b>	<b>16,313,225</b>	<b>13,785,572</b>	18.0%	<b>14,611,552</b>
Inc/Dec over est. 2014/2015	22.0%	20.6%	0.03%		5.70%
<b>Net Income</b>	<b>1,549,270</b>	<b>1,205,014</b>	<b>1,145,401</b>	26.1%	<b>1,205,259</b>
<b>Ratebase</b>	<b>17,620,420</b>	<b>13,241,915</b>	<b>12,586,829</b>	28.6%	<b>13,244,610</b>
<b>Rate of Return</b>	<b>9.10%</b>	<b>9.10%</b>	<b>9.10%</b>	0.0%	<b>9.10%</b>

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**Average Services  
Test Year 2016/2017**

	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>General Metered Services</b>					
Single-Family Residential	19,598	19,598	19,598	0.0%	19,598
Multi-Family Residential	598	598	598	0.0%	598
Business	311	311	311	0.0%	311
Industrial	42	42	42	0.0%	42
Public Authorities	157	157	157	0.0%	157
Schools	34	34	34	0.0%	34
Private Landscaping	182	182	182	0.0%	182
Agricultural	6	6	6	0.0%	6
<b>Total</b>	<b>20,928</b>	<b>20,928</b>	<b>20,928</b>	<b>0.0%</b>	<b>20,928</b>
<b>Private Fire Protection Service</b>	<b>318</b>	<b>318</b>	<b>318</b>	<b>0.0%</b>	<b>318</b>
<b>Total Average Services</b>	<b>21,246</b>	<b>21,246</b>	<b>21,246</b>	<b>0.0%</b>	<b>21,246</b>

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**Average Consumption  
per Customer (CCF/Year)  
Test Year 2016/2017**

<b>Average Consumption per Customer</b>	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>General Metered Water Service</b>					
Single-Family Residential	131.8	131.8	131.8	0.0%	131.8
Multi-Family Residential	1,339.6	1,339.6	1,339.6	0.0%	1,339.6
Business	793.2	793.2	957.8	-20.8%	793.2
Industrial	2,049.5	2,049.5	2,049.5	0.0%	2,049.5
Public Authorities	1,186.1	1,186.1	1,186.1	0.0%	1,186.1
Schools	5,203.8	5,203.8	5,203.8	0.0%	5,203.8
Private Landscaping	1,532.6	1,532.6	1,532.6	0.0%	1,532.6
Agricultural	0.0	0.0	0.0	0.0%	0.0

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**Average Consumption  
per Customer (CCF/Year)  
Escalation Year 2017/2018 (for illustration only)**

<b>Average Consumption per Customer</b>	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>General Metered Water Service</b>					
Single-Family Residential	140.0	140.0	140.0	0.0%	140.0
Multi-Family Residential	1,351.3	1,351.3	1,351.3	0.0%	1,351.3
Business	804.4	804.4	957.8	-19.1%	804.4
Industrial	2,216.8	2,216.8	2,216.8	0.0%	2,216.8
Public Authorities	1,249.8	1,249.8	1,249.8	0.0%	1,249.8
Schools	5,478.0	5,478.0	5,478.0	0.0%	5,478.0
Private Landscaping	1,568.8	1,568.8	1,568.8	0.0%	1,568.8
Agricultural	0.0	0.0	0.0	0.0%	0.0

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**Average Consumption  
per Customer (CCF/Year)  
Attrition Year 2018/2019 (for illustration only)**

<b>Average Consumption per Customer</b>	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>General Metered Water Service</b>					
Single-Family Residential	148.20	148.20	148.20	0.0%	148.20
Multi-Family Residential	1,352.70	1,352.70	1,352.70	0.0%	1,352.70
Business	815.60	815.60	957.80	-17.4%	815.60
Industrial	2,384.0	2,384.0	2,384.0	0.0%	2,384.0
Public Authorities	1,313.4	1,313.4	1,313.4	0.0%	1,313.4
Schools	5,752.2	5,752.2	5,752.2	0.0%	5,752.2
Private Landscaping	1,605.0	1,605.0	1,605.0	0.0%	1,605.0
Agricultural	0.0	0.0	0.0	0.0%	0.0

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**Total Water Sales (CCF)  
Test Year 2016/2017**

<b>Average Consumption per Customer</b>	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>General Metered Water Service</b>					
Single-Family Residential	2,583,016	2,583,016	2,583,016	0.0%	2,583,016
Multi-Family Residential	801,081	801,081	801,081	0.0%	801,081
Business	246,685	246,685	297,876	-20.8%	246,685
Industrial	86,081	86,081	86,081	0.0%	86,081
Public Authorities	186,212	186,212	186,212	0.0%	186,212
Schools	176,928	176,928	176,928	0.0%	176,928
Private Landscaping	278,927	278,927	278,927	0.0%	278,927
Agricultural	0	0	0		0
<b>Total Water Sales</b>	<b>4,358,930</b>	<b>4,358,930</b>	<b>4,410,121</b>	<b>-1.2%</b>	<b>4,358,930</b>
Unaccounted For Water	153,420	153,420	149,944	2.3%	153,420
Unaccounted For Water %	3.4%	3.4%	3.4%	0.0%	3.4%
<b>Total Water Produced</b>	<b>4,512,350</b>	<b>4,512,350</b>	<b>4,560,065</b>	<b>-1.1%</b>	<b>4,512,350</b>

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**Operation and Maintenance  
Expenses  
Test Year 2016/2017**

<b>O&amp;M Expenses</b>	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>O&amp;M Expense Account</b>					
700 - Groundwater Charge	8,551,176	8,550,061	7,117,909	16.8%	7,589,258
701 - Op. Super. & Engr.	0	0	0	0.0%	0
702 - Op. Labor & Expense	18,139	17,407	12,365	31.8%	17,407
711 - Maint. Of Wells	4,433	4,856	4,658	-5.1%	4,856
721 - Op. Supervision & Engr.	0	0	0	0.0%	0
724 - Pumping Labor & Exp.	0	0	0	0.0%	0
725 - Misc. Pump. Exp.	9,070	8,703	9,070	0.0%	8,703
726 - Purchased Power	911,561	818,304	818,281	10.2%	818,304
732 - Maint. Pump Equip.	920	1,619	920	0.0%	1,619
744 - Chemicals	39,813	22,657	22,657	43.1%	22,657
751 - Op. Supervision & Engr.	0	0	0	0.0%	0
752 - Storage Facil. Exp.	0	0	0	0.0%	0
753 - T&D Exp.	0	0	0	0.0%	0
754 - Meter Exp.	1,955	1,947	1,955	0.0%	1,947
756 - T&D Misc. Exp.	9,070	8,703	9,070	0.0%	8,703
758 - Maint. T&D Super. & Engr.	0	0	0	0.0%	0
761 - Maint. T&D Mains	103,645	77,610	24,896	76.0%	51,253
763 - Maint. Services	62,039	46,299	23,612	61.9%	34,956
764 - Maint. Meters	0	109	0	0.0%	109
765 - Maint. Hydrants	7,628	462	8,292	-8.7%	462
771 - Cust. Acct. Super.	0	0	0	0.0%	0
772 - Meter Reading Exp.	18,330	17,407	18,208	0.7%	17,407
773 - Cust. Records & Coll. Exp.	156,273	153,713	149,196	4.5%	153,713
775 - Uncollectible Accts.	51,438	33,784	28,794	44.0%	30,503
<b>Total O&amp;M Expenses</b>	<b>9,945,489</b>	<b>9,763,639</b>	<b>8,249,881</b>	<b>17.0%</b>	<b>8,761,855</b>
<b>O&amp;M Expense Per Customer</b>	<b>475.22</b>	<b>466.53</b>	<b>394.20</b>	<b>17.0%</b>	<b>418.67</b>

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**Administrative and General  
Expenses  
Test Year 2016/2017**

<b>A&amp;G Expenses</b>	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>A&amp;G Expense Account</b>					
791 - Admin. Salaries	0	0	0	0.0%	0
792 - Office Exp.	48,786	52,123	53,174	-9.0%	52,123
793 - Insurance	79,922	79,581	74,725	6.5%	79,581
794 - Injuries & Damages	45,101	48,834	40,056	11.2%	48,834
795 - Emp. P & B	1,053,990	879,438	860,038	18.4%	842,067
796 - Franchise Req.	283,694	350,365	256,962	9.4%	316,336
797 - Reg. Comm. Exp.	233,997	10,733	4,725	98.0%	10,733
798 - Outside Services	403,418	581,783	179,744	55.4%	311,552
799 - Misc. Gen. Exp.	173,544	145,436	72,819	58.0%	145,436
800 - Outside GRC Exp.	0	0	0	0.0%	0
805 - Maint. Gen. Plant	107,396	96,341	80,626	24.9%	96,341
811 - Rents	218,516	204,176	204,176	6.6%	210,362
903 - Transp. Exp.	0	0	0	0.0%	0
Passive Income 30% Ratepayer Credit	0	-22,130	-73,768		-36,884
<b>Total A&amp;G Expenses</b>	<b>2,648,365</b>	<b>2,426,679</b>	<b>1,753,277</b>	<b>33.8%</b>	<b>2,076,482</b>
<b>A&amp;G Expenses/Customer</b>	<b>126.55</b>	<b>115.95</b>	<b>83.78</b>	<b>33.8%</b>	<b>99.22</b>
<b>Payroll Expenses</b>					
Field Employees	900,379	898,284	774,832	13.9%	898,284
Office Employees	504,573	504,684	465,880	7.7%	504,684
Management	910,939	910,939	801,892	12.0%	858,664
<b>Total Payroll</b>	<b>2,315,890</b>	<b>2,313,907</b>	<b>2,042,604</b>	<b>11.8%</b>	<b>2,261,632</b>
<b>Total A&amp;G Expenses (incl. payroll)</b>	<b>4,964,255</b>	<b>4,740,586</b>	<b>3,795,881</b>	<b>23.5%</b>	<b>4,338,114</b>
<b>Total O&amp;M and A&amp;G Expenses (w/o payroll)</b>	<b>12,593,854</b>	<b>12,190,318</b>	<b>10,003,158</b>	<b>20.6%</b>	<b>10,838,337</b>
<b>Total Operating Expenses (incl. payroll)</b>	<b>14,909,745</b>	<b>14,504,225</b>	<b>12,045,762</b>	<b>19.2%</b>	<b>13,099,969</b>

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**Taxes Other Than Income  
Test Year 2016/2017**

	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>Ad Valorem Taxes</b>					
City and County Taxes	232,563	236,397	204,501	12.1%	214,548
<b>Payroll Taxes</b>					
FICA (Social Security)	107,147	107,024	99,384	7.2%	107,024
FICA (Medicare)	33,580	33,552	29,618	11.8%	32,794
FUTA	897	897	840	6.3%	897
SUI	7,323	7,329	6,860	6.3%	7,329
Total Payroll Taxes	148,948	148,802	136,701	8.2%	148,044
<b>Taxes Other Than Income</b>	<b>381,511</b>	<b>385,199</b>	<b>341,203</b>	<b>10.6%</b>	<b>362,593</b>

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**Income Taxes**  
**Test Year 2016/2017**

	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>Operating Revenues</b>	<b>18,412,807</b>	<b>17,518,239</b>	<b>14,930,973</b>	18.9%	<b>15,816,811</b>
<b>Expenses</b>					
Operating Expenses	14,569,089	14,258,951	11,829,246	18.8%	12,860,236
Depreciation Expense	1,265,125	1,298,440	1,265,125	0.0%	968,101
Deferred Income Tax	0	0	0	0.0%	0
Taxes Other Than Income	381,511	385,199	341,203	10.6%	362,593
Imputed Interest Expense (From Below)	343,598	297,943	283,204	17.6%	298,004
Total Deductions, State	16,559,324	16,240,533	13,718,778	17.2%	14,488,933
Taxable Income CCFT	1,853,483	1,277,706	1,212,195	34.6%	1,327,878
CCFT Rate	8.84%	8.84%	8.84%		8.84%
<b>CCFT</b>	<b>163,848</b>	<b>112,949</b>	<b>107,158</b>	34.6%	<b>117,384</b>
<b>Deductions</b>					
Current State Income Taxes (From Above)	163,848	112,949	107,158	34.6%	117,384
Operating Expenses	14,569,089	14,258,951	11,829,246	18.8%	12,860,236
Depreciation Expense	1,092,769	1,121,545	1,092,769	0.0%	836,210
Deferred Income Tax	0	0	0	0.0%	0
Taxes Other Than Income	381,511	385,199	341,203	10.6%	362,593
Imputed Interest Expense	343,598	297,943	283,204	17.6%	298,004
DPAD	91,017	63,474	56,229	38.2%	62,594
Total Deductions, Federal	16,641,833	16,240,062	13,709,809	17.6%	14,537,021
<b>Income Tax</b>					
Taxable Income, Federal	1,770,974	1,278,178	1,221,164	31.0%	1,279,790
FIT Rate	34%	34%	34%		34%
<b>FIT</b>	<b>602,131</b>	<b>434,580</b>	<b>415,196</b>	31.0%	<b>435,129</b>

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	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>Plant in Service Test Year 2016/2017</b>					
Plant in Service - BOY	43,076,288	41,802,449	43,076,286	0.0%	41,762,061
Total Additions	3,616,786	3,534,739	1,397,574	61.4%	1,839,795
Total Retirements	-25,896	-25,896	-25,896	0.0%	-25,896
Plant in Service - EOY	46,667,179	45,311,292	44,447,965	4.8%	43,575,960
Avg. Plant in Service	44,871,734	43,556,871	43,762,126	2.5%	42,669,011
% Increase/Decrease	5.48%	5.39%	2.87%		3.34%
<b>Plant in Service Test Year 2017/2018</b>					
Plant in Service - BOY	46,667,179	45,311,292	44,447,965	4.8%	43,575,960
Total Additions	2,056,132	1,943,342	707,893	65.6%	1,599,249
Total Retirements	-35,846	-35,846	-35,846	0.0%	-35,846
Plant in Service - EOY	48,687,465	47,218,788	45,120,012	7.3%	45,139,363
Avg. Plant in Service	47,677,322	46,265,040	44,783,989	6.1%	44,357,662
% Increase/Decrease	6.25%	6.22%	2.34%		3.96%
<b>Plant in Service Attrition Year 2018/2019 (for illustration only)</b>					
Plant in Service - BOY	48,687,465	47,218,788	45,120,012	7.3%	45,139,363
Total Additions	675,125	552,558	438,807	35.0%	535,916
Total Retirements	-4,316	-4,316	-4,316	0.0%	-4,316
Plant in Service - EOY	49,358,274	47,767,031	45,554,503	7.7%	45,670,963
Avg. Plant in Service	49,022,869	47,492,909	45,337,258	7.5%	45,405,163
% Increase/Decrease	2.82%	2.65%	1.24%		2.36%

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	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>Depreciation Expense Test Year 2016/2017</b>					
<b>Balance - BOY</b>	22,855,229	22,821,927	22,855,229	0.0%	22,109,771
Add Credits					
Depreciation	1,264,831	1,286,411	1,264,831	0.0%	1,165,941
Salvage	4,980	4,980	4,980	0.0%	4,980
<b>Total Credits</b>	1,269,811	1,291,391	1,269,811	0.0%	1,170,921
Deduct Debits					
Retirements	-25,896	-25,896	-25,896	0.0%	-25,896
Removal Costs	-3,677	0	-3,677	0.0%	0
<b>Total Debits</b>	-29,573	-25,896	-29,573	0.0%	-25,896
Comp. Depreciation Rate	2.82%	2.95%	2.89%		2.73%
<b>Avg. Accum. Depreciation</b>	<b>23,475,348</b>	<b>23,454,674</b>	<b>23,475,348</b>	<b>0.0%</b>	<b>22,682,284</b>

<b>Depreciation Expense Escalation Year 2017/2018 (for illustration only)</b>					
<b>Balance - BOY</b>	24,095,468	24,087,422	24,095,467	0.0%	23,254,797
Add Credits					
Depreciation	1,378,462	1,397,245	1,318,126	4.4%	1,219,704
Salvage	4,980	4,980	4,980	0.0%	4,980
<b>Total Credits</b>	1,383,442	1,402,225	1,323,106	4.4%	1,224,684
Deduct Debits					
Retirements	-35,846	-35,846	-35,846	0.0%	-35,846
Removal Costs	-4,097	0	-4,097	0.0%	0
<b>Total Debits</b>	-39,943	-35,846	-39,943	0.0%	-35,846
Comp. Depreciation Rate	2.89%	3.02%	2.94%	-1.80%	2.75%
<b>Avg. Accum. Depreciation</b>	<b>24,767,218</b>	<b>24,770,612</b>	<b>24,737,049</b>	<b>0.12%</b>	<b>23,849,216</b>

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**Weighted Average Depreciated Ratebase  
Test Year 2016/2017**

	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>Utility Plant</b>					
Plant in Service	46,667,179	43,556,871	43,762,126	6.2%	42,669,011
Construction WIP	349,998	393,865	349,998	0.0%	393,865
General Office Prorate	0	0	0		0
<b>Total Gross Plant</b>	47,017,176	43,950,736	44,112,123	6.2%	43,062,876
Minus: Accumulated Depreciation					
Plant in Service	24,095,468	23,454,674	23,475,348	2.6%	22,682,284
Minus: Other Reserves					
Deferred Income Tax	177,012	2,219,685	2,265,597	-1179.9%	2,206,968
Deferred Investment Tax Credit	0	16,148	16,148		16,148
Total Other Reserves	177,012	2,235,833	2,281,745	-1189.0%	2,223,115
Minus: Adjustments					
CIAC	2,198,997	2,335,777	2,270,819	-3.3%	2,019,694
Advances For Construction	5,225,429	5,601,830	5,350,896	-2.4%	5,601,830
Less: Deferred Tax - AFC	0	747,342	0		747,342
Net Advances For Construction	5,225,429	4,854,488	5,350,896	-2.4%	4,854,488
Total Adjustments	7,424,426	7,190,265	7,621,715	-2.7%	6,874,182
Plus: Materials & Supplies	0	0	0	0.0%	0
Plus: Working Cash	2,300,150	2,171,952	1,853,514	19.4%	1,961,316
<b>Total Rate Base</b>	17,620,420	13,241,915	12,586,829	28.6%	13,244,610
<b>Net Income</b>	1,603,458	1,205,014	1,145,401	28.6%	1,205,259
<b>Rate of Return</b>	9.10%	9.10%	9.10%	0.0%	9.10%

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**Weighted Average Depreciated Ratebase  
Escalation Year 2017/2018**

	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>Utility Plant</b>					
Plant in Service	48,687,465	46,265,040	44,783,989	8.0%	44,357,662
Construction WIP	349,998	393,865	349,998	0.0%	393,865
General Office Prorate	0	0	0		0
<b>Total Gross Plant</b>	<b>49,037,462</b>	<b>46,658,905</b>	<b>45,133,986</b>	<b>8.0%</b>	<b>44,751,527</b>
Minus: Accumulated Depreciation					
Plant in Service	25,438,967	24,770,612	24,737,049	2.8%	23,849,216
Minus: Other Reserves					
Deferred Income Tax	274,769	2,314,844	2,365,212	-760.8%	2,291,559
Deferred Investment Tax Credit	0	11,748	11,748		11,748
Total Other Reserves	274,769	2,326,592	2,376,960	-765.1%	2,303,307
Minus: Adjustments					
CIAC	2,049,083	2,195,138	2,124,040	-3.7%	1,710,591
Advances For Construction	4,974,495	5,350,896	5,099,962	-2.5%	5,350,896
Less: Deferred Tax - AFC	0	697,172	0		697,172
Net Advances For Construction	4,974,495	4,653,724	5,099,962	-2.5%	4,653,724
Total Adjustments	7,023,578	6,848,862	7,224,002	-2.9%	6,364,315
Plus: Materials & Supplies	0	0	0	0.0%	0
Plus: Working Cash	2,510,317	2,327,783	2,008,334	20.0%	2,110,466
<b>Total Rate Base</b>	<b>18,810,465</b>	<b>15,040,623</b>	<b>12,804,309</b>	<b>31.9%</b>	<b>14,345,155</b>
<b>Net Income</b>	<b>1,711,752</b>	<b>1,368,697</b>	<b>1,165,192</b>	<b>31.9%</b>	<b>1,305,409</b>
<b>Rate of Return</b>	<b>9.10%</b>	<b>9.10%</b>	<b>9.10%</b>	<b>0.0%</b>	<b>9.10%</b>

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**Weighted Average Depreciated Ratebase  
Attrition Year 2018/2019 (for illustration only)**

	<b>GOWC Application Orig. Workpapers</b>	<b>GOWC Rebuttal Workpapers</b>	<b>ORA Report Workpapers</b>	<b>Difference (%) GOWC Orig. Exceeds ORA</b>	<b>Adopted Settlement Workpapers</b>
<b>Utility Plant</b>					
Plant in Service	49,358,274	47,492,909	45,337,258	8.1%	45,405,163
Construction WIP	349,998	393,865	349,998	0.0%	393,865
General Office Prorate	0	0	0		0
<b>Total Gross Plant</b>	<b>49,708,271</b>	<b>47,886,774</b>	<b>45,687,255</b>	<b>8.1%</b>	<b>45,799,028</b>
Minus: Accumulated Depreciation					
Plant in Service	26,866,274	26,177,947	26,043,766	3.1%	25,066,816
Minus: Other Reserves					
Deferred Income Tax	376,361	2,415,719	2,468,700	-555.9%	2,378,979
Deferred Investment Tax Credit	0	7,908	7,908		7,908
Total Other Reserves	376,361	2,423,626	2,476,608	-558.0%	2,386,886
Minus: Adjustments					
CIAC	1,892,625	2,048,359	1,970,854	-4.1%	1,387,995
Advances For Construction	4,723,560	5,099,962	4,849,028	-2.7%	5,099,962
Less: Deferred Tax - AFC	0	647,002	0		647,002
Net Advances For Construction	4,723,560	4,452,960	4,849,028	-2.7%	4,452,960
Total Adjustments	6,616,186	6,501,319	6,819,882	-3.1%	5,840,954
Plus: Materials & Supplies	0	0	0	0.0%	0
Plus: Working Cash	2,619,863	2,418,656	2,087,300	20.3%	2,183,770
<b>Total Rate Base</b>	<b>18,469,313</b>	<b>15,202,539</b>	<b>12,434,299</b>	<b>32.7%</b>	<b>14,688,142</b>
<b>Net Income</b>	<b>1,680,708</b>	<b>1,383,431</b>	<b>1,131,521</b>	<b>32.7%</b>	<b>1,336,621</b>
<b>Rate of Return</b>	<b>9.10%</b>	<b>9.10%</b>	<b>9.10%</b>	<b>0.0%</b>	<b>9.10%</b>

**Settlement Agreement**  
**APPENDIX B**

**Pension Expense Balancing Account**

1. Purpose.

The purpose of the Pension Expense Balancing Account (PEBA) is to track differences between Authorized Plan Expenses and SFAS 87 pension expenses for the Great Oaks Water Company Defined Benefit Plan & Trust (Plan) for Great Oaks Water Company's (Utility) eventual recovery (or ratepayer reimbursement) of this expense for ratemaking purposes. For ratemaking purposes, the Utility and the Office of Ratepayer Advocates (ORA) of the California Public Utilities Commission (Commission) entered into a Settlement Agreement pertaining to, among other things, Plan funding of \$680,000 per year through June 30, 2020. The settlement agreement was approved and adopted by the Commission in Decision (D.) 13-05-020.

2. Applicability.

The Pension Expense Balancing Account is applicable to Plan Pension Expenses.

3. Definitions.

- a. Authorized Plan Expenses are the \$680,000 per year authorized pension expense through June 30, 2020 adopted by D.13-05-020.
- b. SFAS 87 Expenses are the accounting expense amount determined by guidance from the Financial Accounting Standards Board (FASB) and are also known as the "Net Periodic Benefit Cost."

4. Accounting Procedure.

- a. The following annual entries will be recorded in the PEBA:
  - (i.) SFAS 87 Expense amount;
  - (ii.) Authorized Plan Expenses for ratemaking purposes (\$680,000 annually through June 30, 2020.);
  - (iii.) Total net PEBA = (i.) minus (ii.).
  - (iv.) A negative balance in the PEBA reflects a Utility over-collection, while a positive balance reflects a Utility under-collection.
- b. The Utility will record entries for Authorized Plan Expenses in the PEBA on each July 1<sup>st</sup> and for SFAS 87 Expense on each date the Utility is informed of the SFAS 87 pension expense amount. When there is a balance in the PEBA, on a monthly basis entries will be made for recording interest accruals.
- c. Interest will accrue monthly on the balance in the PEBA by applying a rate equal to one-twelfth of the 90-Day Non-Financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and end-of-month balances.

5. Ratemaking Procedure

The PEBA is recoverable in a Tier 2 advice letter filing if the accumulated balance exceeds 2% of gross adopted revenues for the Utility in accordance with General Order 96-B and standard practices or by request in the next general rate case. In any filing, Utility shall demonstrate its continued compliance with SFAS 87 and demonstrate that any changes to its expenses were reasonable and prudently incurred.