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

Application of Great Oaks Water Company (U-162-W) for an Order authorizing it to increase rates charges for water service by $1,442,313 or 8.50% in 2016, by 1,051,887 or 5.71% in 2017, and by $683,236 or 3.51% in 2018.	Application No. 15-07-001 (Filed July 1, 2015)

JOINT MOTION OF GREAT OAKS WATER COMPANY AND THE OFFICE OF RATEPAYERS ADVOCATES FOR ADOPTION OF SETTLEMENT AGREEMENT

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February 25, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Great Oaks Water Company (U-162-W) for an Order authorizing it to increase rates charges for water service by $1,442,313 or 8.50% in 2016, by 1,051,887 or 5.71% in 2017, and by $683,236 or 3.51% in 2018.	Application No. 15-07-001 (Filed July 1, 2015)

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I. INTRODUCTION

Pursuant to Rule 12.1, et seq. of the Rules of Practice and Procedure (Rules) of the California Public Utilities Commission (Commission), Great Oaks Water Company (Great Oaks) and the Office of Ratepayer Advocates (ORA) submit for Commission approval and adoption the Settlement Agreement between Great Oaks and ORA pertaining to Great Oaks' general rate case application (A.15-07-001). A copy of the Settlement Agreement is attached to this joint motion as Exhibit A. Based upon the information set forth below and elsewhere in the record, Great Oaks and ORA (the Parties) jointly file this motion respectfully requesting the Commission approve and adopt the Settlement Agreement negotiated and entered into by the Parties, which resolves all contested issues in this proceeding.

The Parties represent to the Commission as follows: (1) the Settlement Agreement is reasonable, consistent with the law, and in the public interest; (2) the

Parties are fairly representative of the affected interests[1]; (3) no terms of the Settlement Agreement contravene any statutory provision or any decision of the Commission; (4) the Settlement Agreement, together with the record in the proceeding, conveys to the Commission sufficient information to permit the Commission to discharge its regulatory obligations on the issues addressed in the Settlement Agreement; and (5) the Settlement Agreement is reasonable in light of the entire record and fulfills the criteria that the Commission requires for approval of such a settlement. Based upon these representations, the evidence in the record, and the terms of the Settlement Agreement, the Parties jointly request that the Commission grant this motion and issue an order approving and adopting the Settlement Agreement.

II. BACKGROUND AND PROCEDURAL HISTORY

1. Great Oaks is a Class A water company regulated by the Commission. Great Oaks' headquarters is located in San Jose, in Northern California. On July 1, 2015, Great Oaks filed its general rate case application, A.15-07-001. ORA filed a protest to A.15-07-001 on August 3, 2015.

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

On August 14, 2015, Great Oaks served updates and corrections to its general rate case application workpapers pursuant to the Rate Case Plan (Decision (D.) 07-05-062 and D.04-06-018). On August 17, 2015, Great Oaks re-served the workpapers, with several errors corrected.

On September 1, 2015, Great Oaks filed its Rule 3.2(e) Compliance Filing. ALJ Kelly held a Prehearing Conference on September 9, 2015. Also on

[1] The Parties include Great Oaks, the utility applicant in A.15-07-001, and ORA, which represents the interests of ratepayers.

September 9, 2015, ALJ Kelly issued an email Ruling concerning procedural matters.

On September 16, 2015, Great Oaks filed a motion for permission to update employee benefit expenses (health insurance), and on October 13, 2015, ALJ Kelly issued a ruling granting Great Oaks' motion. Great Oaks served the updated employee benefit expense information on October 28, 2015, and also filed a compliance filing on that date.

On October 19, 2015, ORA served its testimony.

A public participation hearing was held on October 20, 2015.

On November 10, 2015, the Assigned Commissioner's Scoping Memo and Ruling was issued. Thereafter, the Parties entered into detailed settlement negotiations.

On December 4, 2015, Great Oaks filed its Motion for Interim Rate Relief which was granted by ALJ Kelly's January 7, 2016 ruling.

In January, 2016, the Parties reached agreement on all contested issues raised in A.15-07-001, and on January 22, 2016, the Parties notified ALJ Kelly by email that they had reached a settlement. Great Oaks executed the Settlement Agreement on February 25, 2016, and ORA executed the Settlement Agreement on February 25, 2016.

2. Great Oaks' exhibits in this proceeding consist of detailed testimony, Results of Operations Reports, supporting Work Papers, and the Exhibits Great Oaks-1 through Great Oaks-8, listed and described in the following table:

Great Oaks' Exhibits	**Description**
Great Oaks-1	Report on Results of Operations, Chapters 1 through 11, including all Exhibits thereto. (served with A.15-07-001 as Exhibit D)
Great Oaks-2	Original GRC Workpapers (served with A.15-07-001 as Exhibit E)
Great Oaks-3	Capital Projects Justifications

	(served with A.15-07-001 as Exhibit G)
Great Oaks-4	Updates to General Rate Case Workpapers (served August 14, 2015)
Great Oaks-5	Corrected Exhibit E GRC Workpapers (served on ORA on August 17, 2015)
Great Oaks-6	Updated GRC Workpapers Employee Benefits Update (served October 28, 2015)
Great Oaks-7	Great Oaks Water Company Rebuttal Testimony (served November 3, 2015)
Great Oaks-8	FINAL Exhibit E GRC Workpapers (supporting Settlement Agreement)

3. ORA's testimony in this proceeding and supporting work papers are set forth in ORA's Report on Results of Operations (Report) served on October 19, 2015:

ORA's Exhibits	Description
ORA-Exhibit 1	ORA's Report on The Results of Operations of Great Oaks Water Company (served October 19, 2015)
ORA-Exhibit 2	Appendices A-F (served October 19, 2015)
ORA-Exhibit 3	Appendix G and Appendix H, (part 1) CONFIDENTIAL version (served October 19, 2015)
ORA-Exhibit 4	Appendix G and Appendix H, (part 1) PUBLIC version (served October 19, 2015)
ORA-Exhibit 5	Appendix H, (part 2) CONFIDENTIAL version (served October 19, 2015)
ORA-Exhibit 6	Appendix H, (part 2) PUBLIC version (served October 19, 2015)

4. Throughout the proceedings on A.15-07-001, Great Oaks and ORA communicated regularly on the issues presented in the general rate case application. On or about January 15, 2016, the Parties reached a tentative agreement on all issues presented in A.15-07-001. On January 22, 2016, the Parties advised ALJ Kelly of the settlement and, on February 1, 2016, ALJ Kelly requested that the evidentiary hearing scheduled to begin on March 1, 2016 be taken off the calendar in light of the anticipated settlement. On February 5, 2016, Great Oaks filed and served the Notice of All Party Settlement Conference, with the settlement conference scheduled for 10:00 a.m. on February 17, 2016. The Parties convened a settlement conference by telephone on that date and time.

5. Following the settlement conference, the Parties completed the drafting of the Settlement Agreement and caused it to be executed on February 25, 2016. The Parties now jointly present the Settlement Agreement to the Commission and respectfully request its approval and adoption.

III. THE SETTLEMENT AGREEMENT

A. Overview of the Settlement Agreement.

The Settlement Agreement addresses all of Great Oaks' requests in A.15-07-001 and resolves all issues related to Great Oaks' revenue requirement and rate design for the time period from July 1, 2016 through June 30, 2019 throughout Great Oaks' service area. These issues include, but are not limited to, the following: customer forecasts including classes and number of customers; forecasts of water sales and consumption per customer across various customer classes for Test Year 2016/2017; revenue requirement; operation and maintenance expenses; administrative and general expenses ("A&G") other than payroll; employee pension and benefits plan; new employees and payroll expenses; capitalized payroll; plant in service and capital additions; depreciation expense and reserve; working cash allowance; taxes; ratebase; special requests; customer service; water quality; and memorandum, balancing, and other authorized accounts.

B. The Parties have made a compelling evidentiary showing in support of the Settlement Agreement.

The Parties have submitted lengthy and thorough testimony and exhibits analyzing all of the issues resolved in the Settlement Agreement. Great Oaks' witnesses have presented a comprehensive analysis of the proposed and agreed upon capital projects, expense items, and other proposals. The results of this analysis are shown in the extensive exhibits and evidentiary showing in this proceeding in support of Great Oaks' proposals. ORA staff has also engaged in a detailed critical analysis of all facets of Great Oaks' requested rate increase. ORA engaged in thorough written discovery seeking additional information regarding the rate increase Great Oaks requested. Great Oaks responded to each discovery request, providing ORA with the requested information. ORA submitted detailed testimony, setting forth its analysis and position on each individual issue and expense item included in Great Oaks' requests. Following submission of ORA's Report, Great Oaks served rebuttal testimony addressing issues ORA contested. Both Great Oaks and ORA engaged in extensive fact-checking to discover and correct inadvertent calculation errors and the Parties have made corrections to the data so that all data included in the Settlement Agreement is accurate.

In summary, the detailed testimony, reports, and analysis described above, demonstrate that Great Oaks and ORA have fully and adequately analyzed each of the contested issues addressed in the Settlement Agreement and reached a consensus that is reasonable in light of the evidence. The individual issues the Parties have settled, including their original positions on each issue, are described in detail in the Settlement Agreement.

C. Terms and Conditions of the Settlement Agreement.

The Settlement Agreement addresses all issues related to Great Oaks' revenue requirement and rate design for Test Year (July 1, 2016 through June 30, 2017) throughout Great Oaks' service area, including, but not limited to, the following:

1. Customer Forecast.

ORA reviewed Great Oak's testimony and work papers regarding its customer classes and number of customers for Test Year 2016/2017 and agreed with Great Oak's forecasts for classes and numbers of customers for Test Year 2016/2017, as shown in the Settlement Agreement, Section 3.1 and Table 3.1. (See also Settlement Agreement, Appendix A, Average Services, Page 2.)

2. Water Sales.

Great Oaks forecasts water sales and consumption per customer across various customer classes for Test Year 2016/2017. ORA reviewed Great Oaks' testimony and work papers regarding its water sales and consumption per customer for Test Year 2016/2017 and found some of Great Oaks' forecasts to be acceptable and recommended adjustments to the business customer class. The Parties were able to reach agreement on all sales forecasts through further information exchanges. Both Great Oaks and ORA also considered applicable state and local mandatory water conservation standards and requirements applicable to projected water sales. At the time ORA issued its report on October 19, 2016, Governor Brown had issued an Executive Order calling for a 25% reduction in statewide water use from 2013 levels and Great Oaks reported that its customers had reduced their water consumption in 2014 in response to these measures.

As of December 2015, Great Oaks customers exceeded their conservation standard of 20% by achieving a cumulative percent saved as compared to 2013 of 33.5%. On February 2, 2016, the State Water Resources Control Board adopted an extended and revised emergency regulation extending restrictions on urban water use through October 2016.[2] The extended emergency regulation is revised to allow more flexibility for water suppliers in meeting their conservation

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2 http://www.waterboards.ca.gov/water_issues/programs/conservation_portal/emergency_regulation.shtml

standards based upon climate, growth and investments in development of new drought-resilient sources of water supply.[3] Great Oaks may qualify for some flexibility in its conservation standard making it even more secure in meeting the standard. Considering these factors, the Parties therefore agreed upon Great Oaks' forecast for total water sales of 4,358,930 Ccf for the Test Year 2016/2017, as shown in the Settlement Agreement, Section 3.2. (See also Settlement Agreement, Appendix A, Total Water Sales, page 6).

The Parties also agreed with Great Oaks' forecast of 3.40% for unaccounted water for Test Year 2016/2017, finding that this proposed rate was consistent with the recent average and was in compliance with the American Water Works Association Water Audit Results. The unaccounted for water percentage is addressed in the Settlement Agreement, Section 3.2. (See also, Settlement Agreement, Appendix A, Total Water Sales, page 6).

3. Revenues.

Great Oaks requests revenues of $18,412,807 for Test Year 2016/2017. ORA reviewed Great Oaks' testimony and work papers regarding its request and recommended revenues of $14,930,973 for Test Year 2016/2017, which was $3,481,834 less than Great Oaks' original request and $2,863,644 less than Great Oaks' updated request. Following receipt of ORA's Report and evaluation, Great Oaks presented rebuttal testimony that included requested revenues of $17,518,239. Through settlement discussions, the Parties agreed to revenues of $15,816,811 for Test Year 2016/2017, which results in savings of $2,595,996 to ratepayers (as compared to Great Oaks' original request) and is 14.1% less than Great Oaks' original requested figure. (See Settlement Agreement, Section 3.3.)

3

http://www.waterboards.ca.gov/water_issues/programs/conservation_portal/docs/factsheet/adjustment_req_fs_final.pdf

4. Operation and Maintenance Expenses ("O&M").

Great Oaks originally requested total O&M expenses of $9,945,489 for Test Year 2016/2107. ORA reviewed Great Oaks' testimony and revised work papers regarding its O&M expenses and recommended that Great Oaks' O&M expenses for the Test Year be reduced to $8,249,881. In its rebuttal testimony, Great Oaks thoughtfully considered ORA's recommendation and reduced its request for O&M expenses to $9,763,639. Through Settlement discussions, the Parties agreed to O&M expenses of $8,761,855 for Test Year 2016/2017, which results in savings of $1,183,634 to ratepayers (as compared to Great Oaks' original request) and is 11.9% less than Great Oaks' original requested amount. (See Settlement Agreement, Section 3.4; see also Settlement Agreement Appendix A, Operation and Maintenance Expenses, Page 7.)

5. Administrative and General Expenses ("A&G") other than payroll.

Great Oaks originally requested $2,648,365 for A&G expenses (other than payroll) in Test Year 2016/2017. ORA reviewed Great Oaks' testimony and work papers regarding this request and recommended $1,753,277 for A&G expenses for Test Year 2016/2017. Great Oaks considered ORA's recommendations and presented rebuttal testimony with reduced A&G expenses of $2,426,679. Through settlement discussions, the Parties agreed to a figure of $2,076,482 for A &G expenses (other than payroll) for the Test Year 2016/2107, which results in savings of $571,883 for ratepayers (as compared to Great Oaks' original request) and is 21.6% less than Great Oaks' original requested. (See Settlement Agreement, Section 3.5; see also Settlement Agreement Appendix A, Administrative and General Expenses, Page 8.)

Expenses for the WaterSmart Pilot Program and dues for the California Water Association (CWA) are included in the settled amount for A&G expenses. Great Oaks initiated the WaterSmart Pilot Program as part of its mandatory water conservation efforts and the Parties agreed that the Program should continue in its current form, with Great Oaks presenting full and detailed results in its next general rate case if Great Oaks plans on seeking additional ratepayer funds for the Program. With respect to CWA dues, the agreed upon amount is based upon Great Oaks' express declaration that Great Oaks is joining CWA and the amount does not include any amounts for lobbying expenses. (See Settlement Agreement, Sections 3.5.1 and 3.5.2.)

Also included in A&G expenses are rent expenses for Great Oaks' offices. The Parties agreed upon a formula for rent expenses that is designed to fully pay such expenses over the three-year period from July 1, 2016 to June 30, 2019. The agreed upon amount of $210,362 is a straight-line amount and is not to be escalated during any of Great Oaks' escalation or attrition filings during this general rate case cycle. (See Settlement Agreement, Section 3.5.3.)

6. Employee Pension and Benefits Plan.

Great Oaks originally requested $860,432 for Test Year 2016/2017 for the annual contribution amount to its pension and benefits plan. This was an increase over the $680,000 in the settlement agreement from Great Oaks' 2012 general rate case and was based upon projected increased expenses due to a number of factors, including employee retirements and disbursements from the pension and benefits plan. Great Oaks also requested authority to establish a balancing account for pension and benefit plan expenses. ORA presented testimony opposing any changes to the agreed upon amounts in the 2012 general rate case settlement and also opposing the requested balancing account. In its rebuttal testimony, Great Oaks withdrew its request for increased amounts for contributions to the pension and benefits plan so that the requested amounts were consistent with the 2012 general rate case settlement agreement. Great Oaks did not withdraw its request for the balancing account for those expenses.

Through settlement discussions, the Parties agreed not to modify the amount of employee pension and benefit plan expenses agreed upon in the 2012 general rate case settlement agreement. The Parties also expressly recognized that the end of the seven-year transition period called for in the 2012 general rate case settlement agreement will occur on June 30, 2020 – the end of the Test Year for Great Oaks' next general rate case, which is presently scheduled to be filed on or about July 1, 2018. The Parties also agreed that Great Oaks may present other options to reduce future pension and/or retirement benefit expenses in its next general rate case, 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. (See Settlement Agreement, Section 3.6.)

The Parties also agreed that Great Oaks should be authorized to establish a balancing account for pension expenses. (See Section 18.E of this Motion and Section 3.17.5 of the Settlement Agreement (including Appendix B of the Settlement Agreement) for a more detailed discussion of this topic.)

The Parties agreed upon $875,845 for the employee benefits and pension expense, including $680,000 for the amount of Great Oaks' contribution to the employee pension plan and $125,195 for Medical Insurance expenses, for Test Year 2016/2017, resulting in a savings of $178,145 for ratepayers which is 16.9% less than Great Oaks' original request of $1,053,990 for such expenses. (See Settlement Agreement, Section 3.6; see also Settlement Agreement Appendix A, Administrative and General Expenses, Page 8.)

7. Employees and Payroll Expenses.

Great Oaks did not request authorization for new employees in its application, but instead requested continued authorization for its twenty employees. The Parties agree on twenty employees for Great Oaks.

Great Oaks originally requested total payroll expenses of $2,315,890. ORA recommended total payroll of $2,042,604. In its rebuttal testimony, Great Oaks maintained its request for total payroll expenses of $2,313,907. Through settlement negotiations, the Parties agreed upon total payroll expenses of

$2,261,632. (See Settlement Agreement, Section 3.7; see also Settlement Agreement Appendix A, Administrative and General Expenses, Page 8.)

8. Capitalized Payroll.

In D.10-11-034 and D.11-02-003, the Commission adopted a capitalized payroll percentage of 10.6% for Great Oaks. Great Oaks requested the continuation of the same capitalized payroll percentage in A.15-07-001. ORA reviewed Great Oaks' testimony and work papers regarding this request and accepted this ratio with an adjustment to correct a calculation that capitalized field service labor twice. The Parties agreed upon Great Oaks' proposed capitalized payroll percentage of 10.6% for this rate case cycle. (See Settlement Agreement, Section 3.8; see also Settlement Agreement Appendix A, Administrative and General Expenses, Page 8.)

9. Summary of A&G and O&M Expenses and Payroll.

The agreed upon settlement positions of the Parties with respect to O&M expenses, A&G Expenses, and Payroll for Test Year 2016/2017 are shown in the comparative exhibit attached to the Settlement Agreement as Appendix A, at pages 7 and 8. The total amounts for O&M expenses, A&G expenses, and Payroll expenses are $13,099,969 for the Test Year 2016/2017. When compared to Great Oaks' original requests, the agreed-upon numbers represent savings to ratepayers of $1,809,776 (12.1 %) for the Test Year 2016/2017. (See Settlement Agreement, Appendix A, Administrative and General Expenses, Page 8.)

10. Taxes.

A. Payroll Taxes. Great Oaks' proposed payroll taxes were $148,948 for Test Year 2016/2017. ORA recommended payroll tax expenses of $136,701 in its Report. Through settlement negotiations, including negotiations on total payroll expenses, the Parties agreed to payroll tax expenses of $148,044 for Test Year 2016/2017, representing a savings of $904 (0.6%) for ratepayers, as compared to

Great Oaks' original request. (See Settlement Agreement, Section 3.9.1; see also Settlement Agreement Appendix A, Taxes Other Than Income, Page 9.)

B. Property Taxes. Great Oaks' proposed property taxes were $232,563 for Test Year 2016/2017. ORA reviewed Great Oaks' property tax calculations and recommended expenses of $136,701 for Test Year 2016/2017. In its rebuttal testimony, Great Oaks offered testimony supporting $236,397 in property tax expenses. Through settlement negotiations, the Parties agreed upon $214,548 for property tax (ad valorem tax) expenses for Test Year 2016/2017. (See Settlement Agreement, Section 3.9.2; see also Settlement Agreement Appendix A, Taxes Other Than Income, Page 9.)

C. Income Taxes. Great Oaks' projected income taxes for California Corporation Franchise Tax ("CCFT") and Federal Income Tax ("FIT") for Test Year 2016/2017 were $163,848 and $602,131, respectively. ORA analyzed state and federal taxes and recommended CCFT of $107,158 and FIT of $415,196 for Test Year 2016/2017. In its rebuttal, Great Oaks projected CCFT in the amount of $112,949 and FIT in the amount of $434,580. The Parties negotiated agreements on proposed revenues, expenses, rate base, and net income, as well as on CCFT and FIT for Test Year 2016/2017. As a result, the Parties agreed that the levels of CCFT and FIT for Test Year 2016/2017 are $117,384 and $435,129, respectively. (See Settlement Agreement, Section 3.10; see also Settlement Agreement Appendix A, Income Taxes, Page 10.)

11. Plant in Service and Capital Additions.

Great Oaks' original and updated Exhibit E (Exhibit Great Oaks-2 and 4) includes detailed values for plant in service and requested additions to plant on pages WP-15 to WP-18). Great Oaks' original Exhibit G (Exhibit Great Oaks-3) provides a narrative description and justification for all proposed capital projects. ORA not only reviewed Great Oaks' testimony and work papers regarding Great Oaks' request for proposed capital projects, but also conducted a field investigation of the major proposed capital projects prior to making any recommendations in ORA's Report. ORA recommended approval of many, but not all, 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 ultimately agreed on the addition of one new groundwater well to be placed into service at the beginning of Escalation Year 2017/2018 at a cost of $794,750. During negotiations, Great Oaks withdrew its request for two additional groundwater wells for purposes of settlement, and the Parties agreed that Great Oaks may request the same wells in a future general rate case. The Parties further agreed that the terms of the 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 that request in this general rate case. The Parties further agreed that Great Oaks may make this same request in a future GRC and that the terms of the settlement will not be considered in evaluating any future GRC request for the Coyote Valley Storage Tank.

The Parties discussed and agreed upon Great Oaks' request to install chlorine ports at all twelve requested sites in Test Year 2016/2017 to ensure adequate disinfection of Great Oaks' water system.

Great Oaks requests a ten percent (10%) contingency component for major plant additions. Originally the Parties disagreed on the appropriate methodology for calculating the contingency component, and for settlement purposes, the Parties agreed to use ORA's proposed methodology. The contingency component is included in the agreed upon capital project costs.

The table below provides a listing of the agreed upon additions to Plant in Service and the capital costs of each.

Plant in Service	Attrition Year	Test Year 2016/2017	Escalation Year

Addition/Capital Project	2015/2016				2017/2018	
	Requested	Agreed	Requested	Agreed	Requested	Agreed
Source of Supply						
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
Water Treatment Plant						
Chlorine Ports at Wells			$70,000	$69,300		
Transmission/Distribution						
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
General Plant Additions						
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				
Plant Sub-Total	$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
Total Plant in Service Additions	$1,078,152	$1,078,152	$3,676,786	$1,839,795	$2,116,132	$1,599,249

The agreed Plant in Service additions for each of the three years covered by Great Oaks' general rate case application are summarized in the Settlement Agreement, Section 3.11.1 and in the Settlement Agreement Appendix A, Plant in Service, Page 11.

12. Depreciation Expense and Reserve.

Great Oaks and ORA essentially agreed on depreciation expense and reserve requested in A.15-07-001, with the differences between the Parties due to slight differences in capital additions addressed above. ORA thoroughly reviewed Great Oaks' testimony and work papers regarding this request and ORA's recommendations on this expense item are contained in its Report. Following negotiations, the Parties agreed to Average Accumulated Depreciation expenses of $22,682,284 and $23,849,216 for Test Year 2016/2017 and Escalation Year 2017/2018, respectively. (See Settlement Agreement, Section 3.12; see also Settlement Agreement Appendix A, Depreciation Expense, Page 12.)

14. Weighted Average Depreciated Rate Base.

Great Oaks originally requested the following amounts for weighted average depreciated rate base: $17,620,420, $18,810,465, and $18,469,313 for Test Year 2016/2017 and Escalation/Attrition Years 2017/2018 and 2018/2019, respectively. ORA reviewed Great Oaks' testimony and work papers regarding this request and recommended $12,586,829 for Test Year 2016/2017, $12,804,309 for Escalation Year 2017/2018, and $12,434,299 for Attrition Year 2018/2019. Following negotiations, including negotiations on Plant in Service additions, the Parties agreed on the weighted average depreciated rate base amounts of $13,244,610, $14,345,155, and $14,688,142, respectively, for the three years covered by A.15-07-001. (See Settlement Agreement, Section 3.13; see also Settlement Agreement Appendix A, Weighted Average Depreciated Rate base, Pages 13-15.)

15. Customer Service.

ORA analyzed Great Oaks' customer service, including service procedures, customer complaints, customer walk-in facility, and call center. ORA found Great Oaks to have good customer service procedures and found Great Oaks' service quality is in accordance with standard Performance Measure set by the Commission for complaints filed with the Consumer Affairs Branch (the standard being less than, or equal to, 0.1% of the company's total customers). Based upon these observations, the Parties recommend that the Commission find that Great Oaks' customer service is of good quality and in accordance with the Commission's standards.

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:

- 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). (See Settlement Agreement, Section 3.14.)

16. Water Quality.

Great Oaks submitted the required water quality information with A.15-07-001. ORA reviewed Great Oaks' testimony and work papers regarding water quality and found the following: (1) Great Oaks operates a water system under a permit from the California Department of Public Health ("CDPH"); (2) Great Oaks' water supply comes from 19 groundwater wells drawing water from the Santa Clara Valley Groundwater Basin; and, (3) Great Oaks' wells and water supply meet drinking water standards and do not require treatment or disinfection prior to distribution to customers. Thus, ORA found that Great Oaks' water system is in compliance with CDPH water quality regulations, all applicable federal drinking water requirements, and General Order 103-A. (See ORA Report, Exhibit ORA-1, pages 129-133.) Therefore, the Parties recommend that the Commission adopt ORA's findings that Great Oaks' water system is in compliance with CDPH water quality regulations, all applicable federal drinking water requirements, and General Order 103-A. (See Settlement Agreement, Section 3.15)

17. Affiliate Transactions and Non-Tariffed Products and Services.

Great Oaks' original application inadvertently omitted credit to ratepayers for revenue Great Oaks received for non-tariffed products and services. In its August 2015 update, Great Oaks corrected that error, proposing a credit of $22,130 for ratepayers for Test Year 2016/2017. ORA reviewed all information related to this issue and recommended Great Oaks credit ratepayers $73,768 in Test Year 2016/2017. Following negotiations, the Parties agreed that ratepayers should be credited $36,884 in Test Year 2016/2017, an increase in the benefit to ratepayers of $14,754 (66.7%) as compared to Great Oaks' corrected projection. (See Settlement Agreement, Section 3.16; see also Settlement Agreement Appendix A, Administrative and General Expenses, Page 8.)

18. Memorandum, Balancing, and Revenue Adjustment Mechanism Accounts.

A. Memorandum Account Closures.

Great Oaks' tariffs have several authorized memorandum accounts that are not in use or have zero balances. ORA reviewed all of Great Oaks' authorized memorandum accounts and recommended closure of several. After negotiations, Great Oaks and ORA agreed to the closure of the following memorandum accounts within sixty (60) days of the date of the decision by the Commission adopting the settlement between the Parties. (Account balances as of June 30, 2015 are 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). (See Settlement Agreement, Section 3.17.1.)

B. 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 (with a Great Oaks' reported balance of +$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 (with a Great Oaks' reported balance of -$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 ORA reviewed 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 18.G 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 ORA reviewed in this proceeding. (See Settlement Agreement, Section 3.17.2.)

C. 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) Balancing Account tracking the recovery of balances in Multiple Balancing and Memorandum 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). (See Settlement Agreement, Section 3.17.3.)

D. 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, and Error 2, as described in the ORA Report. (See ORA Report, Exhibit ORA-1, pages 177-181.) 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. (See Settlement Agreement, Section 3.17.4.)

E. Requested Pension Expense Balancing Account.

Great Oaks requested the establishment of a Pension Expense Balancing Account in A.15-07-001. ORA opposed the request initially and, through negotiations, subsequently agreed to Great Oaks' establishment of 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 agreed that Great Oaks' PEBA should remain in effect for the three (3) years of this GRC and be reviewed in Great Oaks' next general rate case. The specific agreed-upon Tariff language is attached as Appendix B to the Settlement Agreement. (See Settlement Agreement, Section 3.17.5.)

F. Monterey-Style Water Revenue Adjustment Mechanism Account.

Great Oaks requested that its Monterey-Style Water Revenue Adjustment Mechanism Account be modified, but ORA opposed this request. For settlement purposes, the Parties agree that Great Oaks' authorized Monterey-Style Water Revenue Adjustment Mechanism (WRAM) Account should continue and that there should be no changes to the methodology used to amortize the balance in Great Oaks' WRAM account. (See Settlement Agreement, Section 3.17.6.)

G. Request to modify the LICAP Tracking and Funding Mechanism.

Great Oaks requests modifying the accounting of Low Income Customer Assistance Program (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 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;

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 ORA identified 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, it will 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, it will 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 discounts 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. (See Settlement Agreement, Section 3.17.7.)

19. Escalation and Attrition Filings.

For escalation and attrition-year filings, Great Oaks did not propose any modifications to the procedures the Commission established for such filings in its rate case plan decisions, D.04-06-018 and D.07-05-062. ORA proposed the same procedures as well as consistency with the Commission's recent Decision 12-06-016 requiring downward adjustments if the utility is over-earning (See ORA Report, Exhibit ORA-1, pages 142-145.) Great Oaks opposed ORA's recommendation. After negotiations, the Parties agreed that there should be no modifications to Commission procedures for escalation and attrition-year filings and that Great Oaks shall follow such methodology for its Escalation Year 2017/2018 and Attrition Year 2018/2019 filings. (See Settlement Agreement, Section 3.18.)

20. Evidentiary Record.

The Parties agree and stipulate to the admission of Great Oaks' Prepared Testimony (Exhibits 1 through 8) and ORA's Report on the Results of Operations (Exhibits ORA-1 through 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. THE SETTLEMENT AGREEMENT IS REASONABLE, CONSISTENT WITH THE LAW, AND IN THE PUBLIC INTEREST.

Under Rule 12.1(d), the Commission will only approve settlements, whether contested or uncontested, that are reasonable in light of the whole record, consistent with the law, and in the public interest. It is a well-established policy of the Commission to approve settlements if they are fair and reasonable in light of the whole record.[4] This policy supports many worthwhile goals, including reducing litigation expenses, conserving Commission resources, and allowing parties to reduce the risk of unacceptable litigation results.[5]

In this case, the proposed settlement as more fully described in the Settlement Agreement is reasonable in light of the whole record because it reflects the evidence presented by the Parties. The communications between the Parties has been detailed and comprehensive on all issues presented in A.15-07-001. The proposed settlement reflects the product of a negotiated compromise that is in the best interests of ratepayers and the Parties themselves. In reviewing the proposed settlement, the Parties request that the Commission give material weight to the Parties' evaluation of the evidence.[6]

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[4] *See, e.g.*, D.11-06-023, p. 13. *See also* D.05-03-022, p. 9.

[5] *Id*.

[6] In D.00-09-034, the Commission held that the parties' evaluation of the evidence should carry material weight in the Commission's review of a proposed settlement.

The testimony of the Parties will be received into evidence in connection with the Commission's receipt and consideration of this Joint Motion for Adoption of Settlement Agreement. The Parties' witnesses have considerable experience on the issues and facts included in their testimony, including water sales, operation and maintenance expenses, administrative and general expenses, taxation, and rate design. The Parties developed and supported their respective positions on the issues, as well as on the joint settlement, with thoughtful and thorough evidence sufficient for the Parties to enable them to jointly request Commission approval and adoption of the Settlement Agreement.

The Parties jointly submit that the Settlement Agreement memorializes a fair compromise of strongly held and well-articulated positions on the contested issues and that the body of testimony and exhibits to be received into evidence in this proceeding provides solid and credible support for the Commission to approve and adopt the Settlement Agreement as proposed.

A. The Settlement is Consistent with the Law.

The issues resolved in the Settlement Agreement are within the scope of this proceeding. The Parties are unaware of any statutory provision or Commission decision, resolution, or policy that would be contravened or compromised by the proposed settlement. The Parties have entered into the Settlement Agreement voluntarily upon the review and advice of their respective legal counsel and staff personnel.

The Commission's approval and adoption of the Settlement Agreement will not be construed as an admission or concession by either ORA or Great Oaks regarding any fact or matter in dispute in this proceeding, nor as a statement of precedent or policy of any kind for any purpose against either ORA or Great Oaks in any current or future proceeding.

The proposed Settlement Agreement is an integrated agreement so that if the Commission rejects any portion of the Settlement Agreement, ORA and Great Oaks each have the right to withdraw.

The Parties represent that the Settlement Agreement is fully consistent with all applicable laws and request that the Commission approve and adopt the Settlement Agreement.

B. The Settlement is in the Public Interest.

During the period before and after the service of ORA's testimony, the Parties engaged in significant and extensive settlement negotiations on those issues that were contested. As evidenced by ORA's testimony, the Parties initially agreed on most of the issues presented in A.15-07-001, leaving a limited number of contested issues remaining. The Parties fully considered the facts and the law relevant to this case and reached reasonable compromises on the remaining issues.

Compared to a full evidentiary hearing on all issues, as well as to a full evidentiary hearing on the few issues remaining after the service of ORA's testimony, the proposed settlement achieves a significant savings in time, resources, and expenses for the Parties, the Commission, and the public. A full hearing on the issues potentially could have resulted in higher or lower rates than requested by Great Oaks or recommended by ORA. And, as the Commission has acknowledged, "[t]here is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation,"[7] and when the settlement is fair and reasonable in light of the whole record.[8] This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.[9] It is established Commission policy that "[a]s long as a settlement, taken as a whole, is reasonable in light of the record, consistent with law, and in the public interest, it will be adopted."[10]

[7] D.88-12-083, p. 85.
[8] *See e.g.*, D.88-12-083 (30 CPUC 2d 189, 221-223) and D.91-05-029 (40 CPUC 2d. 301, 326). *See also* D.11-06-023, p. 13.
[9] D.11-06-023, p. 13.
[10] *Id*.

The Parties represent that the Settlement Agreement is in the public interest and request that the Commission approve and adopt the Settlement Agreement.

C. The Settlement Agreement Meets All Commission Requirements.

As discussed and represented above, the Settlement Agreements is reasonable, consistent with law, and in the public interest. As the Settlement Agreement meets all Commission requirements, the Parties respectfully request that the Commission approve and adopt the Settlement Agreement.

V. THE PARTIES HAVE COMPLIED WITH THE REQUIREMENTS OF RULE 12.1(B)

Commission Rule 12.1(b) requires parties to provide a notice of a settlement conference at least seven (7) days before a settlement is signed. On February 5, 2016, the Parties notified all of the parties on the service list in this proceeding of a settlement conference and subsequently convened the settlement conference on February 17, 2016 to describe and discuss the terms of the proposed Settlement Agreement. Representatives of Great Oaks and ORA participated in the settlement conference. The Settlement Agreement was finalized and executed on February 25, 2016.

VI. CONCLUSION

The Parties jointly sponsor this Motion and represent that the accompanying Settlement Agreement is reasonable, consistent with law, and in the public interest. For all of these reasons, the Parties respectfully request that the Commission approve and adopt the Settlement Agreement as expeditiously as possible.

Respectfully submitted,

/s/ SELINA SHEK	/s/ TIMOTHY S. GUSTER
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