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Decision 16-05-041 May 26, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Great Oaks Water Company (U162W) 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 15-07-001
(Filed July 1, 2015)

**DECISION ADOPTING A SETTLEMENT AGREEMENT CONCERNING THE
GENERAL RATE CASE FOR GREAT OAKS WATER COMPANY**

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**DECISION ADOPTING A SETTLEMENT AGREEMENT CONCERNING THE
GENERAL RATE CASE FOR GREAT OAKS WATER COMPANY**

Summary

This decision resolves the Great Oaks Water Company general rate case by granting the joint motion for adoption of the settlement between Great Oaks Water Company and the Commission's Office of Ratepayer Advocates, and authorizing a revenue requirement for Great Oaks Water Company for the years 2016, 2017, and 2018. A revenue requirement of \$15,816,811 is adopted for Test Year 2016/2017, which represents a 6.8 percent decrease over current rates. As a result of this decision, in Test Year 2016/2017, the bi-monthly bill for the average residential customer with a 5/8" x 3/4" meter (excluding any applicable surcharges) will decrease by \$4.52 (5.61 percent) over current rates.

This proceeding is closed.

1. Procedural Background

On July 1, 2015, Great Oaks Water Company (Great Oaks) filed its General Rate Case (GRC) Application (A.) 15-07-001. The Commission's Office of Ratepayer Advocates (ORA)¹ filed a timely protest to this Application on August 3, 2015. A prehearing conference was held on September 9, 2015 in the Commission's San Francisco courtroom with Great Oaks and ORA present. On October 19, 2015, ORA served its Report on the Results of Operation (ORA Report).

On October 20, 2015, a public participation hearing (PPH) was held at 6:00 p.m. in San Jose. There were 16 attendees and 10 speakers at the PPH. At

¹ Great Oaks and ORA are jointly referred to as the Parties.

the PPH various issues were raised. In summary, the issues raised by speakers were primarily focused on why rates are increasing when many individuals are trying to conserve water and how rate increases will impact those individuals on fixed incomes.²

In response to the issues raised at the PPH, Great Oaks agreed to make a report available that would address the questions that were presented. This report was made available on its webpage and provided to the Administrative Law Judge (ALJ) and ORA.

In addition to the speakers at the PPH, seven individuals sent in written comments to the Public Advisor's Office. In general, the written comments focused again on why people who are attempting to conserve water are being subjected to increased rates and how higher rates will impact those individuals on a fixed income.³

Although the comments received during the PPH and in written correspondence are not accorded the weight of testimony received during evidentiary hearings, the public comments helped to highlight the issues of greatest concern to customers.

On November 3, 2015, Great Oaks served its rebuttal testimony. The scoping memo of the assigned Commissioner was issued on November 10, 2015. The scope of this proceeding included whether Great Oaks' estimated revenues, expenses, plant and rate base are just and reasonable; whether Great Oaks' water quality, conservation efforts and customer service are adequate; and whether the Commission should approve several special requests, including Great Oaks

² For a complete list of issues raised at the PPH, please see Attachment 4.

³ For a complete list of issues raised in the written comments, please see Attachment 5.

request to modify the Monterey-Style Water Rate Adjustment Mechanism account; Great Oaks' request to modify the Low-Income Customer Assistance Program (LICAP) tracking and funding mechanism; and the establishment of a Pension Expense Balancing Account.

On December 4, 2015, Great Oaks filed an unopposed motion for interim rate relief pursuant to Public Utilities (Pub. Util.) Code § 455.2, to allow Great Oaks to continue charging rates currently authorized in its tariff, and to track the difference between the authorized interim rates and the final rates authorized in this decision in the event the Commission is unable to issue a final decision on Great Oaks' Application in time to have the new rates effective on July 1, 2016. On January 7, 2016, the assigned ALJ issued a ruling granting Great Oaks' motion, and directing Great Oaks to file a Tier 1 Advice letter with the Commission implementing the interim rates, and establishing a Memorandum Account to track the authorized interim rates for a later true-up with the rates authorized in this decision in the event a final decision on this GRC is not in effect in time for new rates to be effective July 1, 2016.

On February 26, 2016, the Parties filed a joint motion for adoption of the Settlement Agreement and a joint motion to admit the written testimony and supporting exhibits into the record. On March 18, 2016, Great Oaks and ORA filed a motion to file confidential testimony under seal.

2. Overview of the Settlement

Great Oaks and ORA, the only parties to this proceeding, settled all of the issues presented in this GRC.⁴ The settled issues are identified below and discussed in further detail in the Settlement Agreement.⁵

2.1. Customer Forecast

Great Oaks' Application set forth its forecast for classes and number of services by customer class for Test Year 2016/2017. ORA examined Great Oaks' testimony and work papers for Test Year 2016/2017 and agreed with Great Oaks' forecasts for classes and numbers of customers.⁶

2.2. Water Sales

Great Oaks forecasts water sales and consumption per customer across various customer classes for Test Year 2016/2017. Great Oaks and ORA agree on Great Oaks' forecast for total water sales of 4,358,930 units of one hundred cubic feet (Ccf) for Test Year 2016/2017.⁷ The Parties also agree on a forecast of 3.4 percent for Great Oaks' unaccounted for water rate for Test Year 2016/2017.⁸

2.3. Revenues

In the Application, Great Oaks requests revenues of \$18,412,807 for Test Year 2016/2017. Following a review of the evidence, ORA recommended revenues of \$14,930,973 for Test Year 2016/2017, which is \$3,481,834 less than

⁴ The Settlement Agreement is attached as Attachment 1.

⁵ The joint comparison exhibit showing the positions of the parties on various issues is attached as Appendix A of Attachment 1.

⁶ See Attachment 1, Table 3.1, Average Number of Services in the Settlement Agreement for further details on Great Oaks' Customer Forecast.

⁷ See Appendix A of Attachment 1, Total Water Sales (CCF).

⁸ See Appendix A of Attachment 1, Total Water Sales (CCF).

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 percent less than Great Oaks' original requested figure.

2.4. Operation and Maintenance (O&M) Expenses

Great Oaks' application originally requested total O&M expenses of \$9,945,489 for Test Year 2016/2107. Following an analysis of the evidentiary record, ORA recommended that Great Oaks' O&M expenses for the Test Year be reduced to \$8,249,881. In rebuttal testimony, Great Oaks considered ORA's recommendation and reduced its request for O&M expenses to \$9,763,639.

The Parties continued settlement discussions and eventually agreed to O&M expenses of \$8,761,855 for Test Year 2016/2017, which results in savings of \$1,183,634 to ratepayers and is 11.9 percent less than Great Oaks' original requested amount.⁹

2.4.1. Groundwater Charges

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

⁹ See Appendix A of Attachment 1, Operation and Maintenance Expenses.

**2.5. Administrative and General (A&G)
Expenses other than payroll**

Great Oaks' application requested \$2,648,365 for A&G expenses (other than payroll) in Test Year 2016/2017. Following a review of the evidentiary record ORA recommended \$1,753,277 for A&G expenses for Test Year 2016/2017. In rebuttal testimony, Great Oaks presented reduced A&G expenses of \$2,426,679. Eventually the Parties agreed to a figure of \$2,076,482 for A&G expenses (other than payroll) for the Test Year 2016/2107. This results in savings of \$571,883 for ratepayers and is 21.6 percent less than Great Oaks' original request.¹⁰

Expenses for the WaterSmart Pilot Program¹¹ and dues for the California Water Association (CWA) are included in the settled amount for A&G expenses. As part of its mandatory water conservation efforts Great Oaks initiated the WaterSmart Pilot Program. The Parties agreed that the Program should continue in its current form. If Great Oaks intends on seeking additional ratepayer funds for the WaterSmart Program, Great Oaks will present full and detailed results in its next GRC.

As it relates to CWA dues, the amount agreed-upon is based upon Great Oaks' contention that it is joining CWA and the amount does not include any amounts for lobbying expenses.

Also included in A&G expenses are rental payments for Great Oaks' offices. The Parties agreed upon a formula for rent expenses that is designed to fully cover such expenses over the three-year period from July 1, 2016 to June 30,

¹⁰ See Appendix A of Attachment 1, Administrative and General Expenses.

¹¹ WaterSmart Pilot Program is an online program designed to allow Great Oaks' customers "to stay smart about their water use." See, <https://greateoaks.waterinsight.com/>.

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 GRC cycle.

2.6. Employee Pension and Benefits Plan

Great Oaks requests \$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 GRC and is based upon projected increased expenses due to a number of factors, such as employee retirements and disbursements from the pension and benefits plan.

Great Oaks also requests authority to establish a balancing account for pension and benefit plan expenses. ORA opposes any changes to the agreed-upon amounts in the 2012 GRC settlement and also opposes 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 GRC settlement agreement. However, Great Oaks did not withdraw its request for the balancing account for those expenses.

The Parties eventually agreed not to modify the amount of employee pension and benefit plan expenses as agreed upon in the 2012 GRC settlement agreement. The Parties also expressly recognize that the end of the seven-year transition period called for in the 2012 GRC settlement agreement will occur on June 30, 2020, which is the end of the Test Year for Great Oaks' next GRC, which is presently scheduled to be filed on or about July 1, 2018.

Furthermore, the Parties 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 also agree that Great Oaks should be authorized to establish a balancing account for pension expenses.¹²

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. This results in a savings of \$178,145 for ratepayers, which is 16.9 percent less than Great Oaks' original request of \$1,053,990 for such expenses.¹³

2.7. Employees and Payroll Expenses

There was no request for authorization for any new employees in its application. Instead Great Oaks 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 \$2,261,632.¹⁴

¹² For a detailed discussion of the balancing account for pension expenses see Attachment 1, Appendix B Pension Expense Balancing Account.

¹³ See Appendix A of Attachment 1, Administrative and General Expenses.

¹⁴ See Appendix A of Attachment 1, Administrative and General Expenses.

2.8. Capitalized Payroll

In Decision (D.) 10-11-034 and D.11-02-003, the Commission adopted a capitalized payroll percentage of 10.6 percent 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 percent for this rate case cycle.¹⁵

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

The total amounts for O&M expenses, A&G expenses, and Payroll expenses are \$13,099,969 for the Test Year 2016/2017.¹⁶ When compared to Great Oaks' original requests, the agreed-upon numbers represent savings to ratepayers of \$1,809,776 (12.1 percent) for the Test Year 2016/2017.¹⁷

2.10. Taxes

A. Payroll Taxes

Great Oaks' proposes payroll taxes of \$148,948 for Test Year 2016/2017. ORA recommended payroll tax expenses of \$136,701. Through settlement negotiations, the Parties agreed to payroll tax expenses of \$148,044 for Test Year 2016/2017, representing a savings of \$904 (0.6 percent) for ratepayers.¹⁸

¹⁵ See Appendix A of Attachment 1, Administrative and General Expenses.

¹⁶ 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 (Attachment 1), Appendix B, Operation and Maintenance Expenses and Administrative and General Expenses.

¹⁷ See Appendix A of Attachment 1, Administrative and General Expenses.

¹⁸ See Appendix A of Attachment 1, Taxes Other Than Income.

B. Property Taxes

Great Oaks' proposes property taxes of \$232,563 for Test Year 2016/2017. ORA reviewed the 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 discussions, the Parties agreed-upon \$214,548 for property tax (ad valorem tax) expenses for Test Year 2016/2017.¹⁹

C. Income Taxes

Great Oaks' projected income taxes for California Corporation Franchise Tax (CCFT) and Federal Income Tax (FIT) for Test Year 2016/2017 are \$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 shall be \$117,384 and \$435,129, respectively.²⁰

2.11. 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

¹⁹ See Appendix A of Attachment 1, Taxes Other Than Income.

²⁰ See Appendix A of Attachment 1, Income Taxes.

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 GRC. 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 GRC. 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 10 percent 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.

Additionally, 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 2017/2017, respectively, from Great Oaks' original requests.²¹

2.12. 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. 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.²²

2.13. 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.

²¹ See Attachment 1, Table 3.11 in the Settlement Agreement for further details on Plant in Service Additions and Costs.

²² See Appendix A of Attachment 1, Depreciation Expense.

Following negotiations, 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.15-07-001.²³

2.14. Customer Service

ORA evaluated 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 measures set by the Commission for complaints filed with the Consumer Affairs Branch (the standard being less than or equal to 0.1 percent 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.

²³ See Appendix A of Attachment 1, Weighted Average Depreciated Ratebase Test Year 2016/2017, Weighted Average Depreciated Ratebase Escalation Year 2017/2018, and Weighted Average Depreciated Ratebase Attrition Year 2018/2019 (for illustration only).

- 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).²⁴

2.15. 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 State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW); (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.

ORA found that Great Oaks' water system is in compliance with SWRCB, DDW water quality regulations, all applicable federal drinking water requirements, and General Order 103-A.²⁵ Accordingly, the Parties recommend that the Commission adopt ORA's findings that Great Oaks' water system is in compliance with SWRCB, DDW water quality regulations, all applicable federal drinking water requirements, and General Order 103-A.

²⁴ See Attachment 1, § 3.14 in the Settlement Agreement for further details on Customer Service.

²⁵ See ORA Report Exhibit ORA-1 at 129-133.

2.16. Affiliate Transactions and Non-Tariffed Products and Services

Great Oaks' 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 this error and proposes a credit of \$22,130 for ratepayers for Test Year 2016/2017. ORA 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 percent) as compared to Great Oaks' corrected projection.²⁶

2.17. Memorandum, Balancing, and Revenue Adjustment Mechanism Accounts

A. Memorandum Account Closures

Several of Great Oaks' tariffs have authorized memorandum accounts that are not in use or have zero balances. ORA recommends closure of several of these memorandum accounts. Great Oaks and ORA agreed to the closure of the following memorandum accounts within 60 days of the date of the decision by the Commission adopting the settlement between the Parties.²⁷

The following table provides a summary of the memorandum accounts that will be closed.²⁸

²⁶ See Appendix A of Attachment 1, Administrative and General Expenses.

²⁷ See Attachment 1, § 3.17.1 in the Settlement Agreement.

²⁸ Account balances as of June 30, 2015 are shown, with over-collection indicated with a "+" and under-collection indicated with "-".

2009 and 2010 Certified Public Accountant Audit Cost Memorandum Account (+\$11,181.67)
2011 Certified Public Accountant Audit Cost Memorandum Account (\$0.00)
2012 Certified Public Accountant Audit Cost Memorandum Account (\$0.00)
2010 Tax Act Memorandum Account (\$0.00)
Military Family Relief Program Memorandum Account (\$0.00)
Employee Health Insurance Memorandum Account (\$0.00) ²⁹
Debt Issuance Memorandum Account (\$0.00)
California Department of Public Health Chromim-6 Compliance Memorandum Account (\$0.00) ³⁰

B. Continuing Memorandum Accounts

The Parties agree that several of the existing authorized memorandum accounts should continue.³¹ The following table provides a summary of the authorized memorandum accounts that should continue.³²

²⁹ The parties further agree that Great Oaks will maintain the Employee Health Insurance Memorandum Account through June 30, 2016, after which Great Oaks will amortize and close the account.

³⁰ Provided that the closure of this account does not preclude recovery of future compliance costs associated with Chromium-6 through other Commission-approved mechanisms.

³¹ See Attachment 1, § 3.17.2 in the Settlement Agreement.

³² Account balances as of June 30, 2015 are shown, with over-collection indicated with a "+" and under-collection indicated with "-".

Contamination Proceeds Memorandum Account (with a Great Oaks' reported balance of +\$657,007.29) ³³
City of San Jose Litigation Memorandum Account (-\$877.13)
Catastrophic Event Memorandum Account (\$0.00)
Conservation Lost Revenue and Expense Memorandum Account (with a Great Oaks' reported balance of -\$675,216.41) ³⁴
Santa Clara Valley Water District (SCVWD) Litigation Expense Memorandum Account (-\$2,566,922.26) ³⁵
Low Income Customer Assistance Program (LICAP) Memorandum Account (-\$398,920.14) ³⁶

³³ The Parties further agree that Great Oaks shall either file a Tier-3 Advice Letter to amortize the balance in the Contamination Proceeds 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 pursuant to Commission D.10-10-018.

³⁴ ORA disagrees with Great Oaks' prior practice of recording employee-related costs in the Conservation Lost Revenue and Expense Memorandum account. However, the Parties agree that for settlement purposes that ORA will 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.

³⁵ The Parties further agree that the proper construction of the terms and conditions of the SCVWD Litigation Expense 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.

³⁶ 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 § 2.17.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,

Footnote continued on next page

C. Balancing Account Closures

The Parties agree that several of the authorized Balancing Accounts should be amortized (if there is a balance in the account) and closed within 60 days of the decision adopting this settlement.³⁷ The following table provides a summary of the authorized Balancing Accounts that should be amortized and closed.³⁸

A.09-09-011 Limited Rehearing Under-Collection Balancing Account (-\$13,038.91)
True-Up Interim Rates to Final Rates Balancing Account (\$0.00)
Balancing Account tracking the recovery of balances in Multiple Balancing and Memorandum Accounts: two (2) accounts with a combined balance of (-\$20,588.61)
WRAM Recovery: May 9, 2011 to February 11, 2012 – Surcharge: May 13, 2012 to May 12, 2013 (-\$28,729.90)
WRAM Recovery: April 16, 2012 to January 7, 2013 – Surcharge January 15, 2013 to January 14, 2014 (-\$15,864.02)
WRAM Recovery: January 10, 2013 to August 8, 2014 – Surcharge September 2, 2014 to September 1, 2015 (-\$152,532.34)

D. Continuing Balancing Accounts

The Parties agree that several of the authorized Balancing Accounts should continue.³⁹ The following table provides a summary of the authorized Balancing Accounts that should continue.⁴⁰

provided that Great Oaks’ recording of such costs are consistent with Great Oaks’ prior practice ORA reviewed in this proceeding.

³⁷ See Attachment 1, § 3.17.3 in the Settlement Agreement.

³⁸ Account balances are shown, with over-collections indicated with a “+” and under-collections indicated with a “-”.

³⁹ See Attachment 1, § 3.17.4 in the Settlement Agreement.

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

The Parties further agree that Great Oaks will correct the errors in these accounts, as described in the ORA Report.⁴¹ For purposes of these error corrections, the Parties agree that the combined balances in the Groundwater Other Than Agricultural Balancing Account and the Groundwater, Agricultural Balancing Accounts are as shown above, as of June 30, 2015.

E. Requested Pension Expense Balancing Account

Great Oaks requests the establishment of a Pension Expense Balancing Account. ORA initially opposed the request. However, through negotiations, ORA 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 Statement of Financial Accounting Standards 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 years of this GRC cycle and be reviewed in Great Oaks’ next GRC.⁴²

⁴⁰ Account balances as of June 30, 2015 are shown, with over-collection indicated with a “+” and under-collection indicated with “-”.

⁴¹ See ORA Report Exhibit ORA-1 at 177-181.

⁴² See Appendix B of Attachment 1 for the specific agreed-upon Tariff language for the requested pension expense balancing account.

F. Monterey-Style Water Revenue Adjustment Mechanism Account (WRAM)

Great Oaks requested that its Monterey-Style WRAM be modified, but ORA opposes this request. For settlement purposes, the Parties agree that Great Oaks' authorized Monterey-Style WRAM Account should continue and that there should be no changes to the methodology used to amortize the balance in Great Oaks' WRAM Account.

G. 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 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 GRC, 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.

2.18. 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 D.12-06-016 requiring downward adjustments if the utility is over-earning.⁴³ Great Oaks opposes 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.

⁴³ See ORA Report Exhibit ORA-1 at 142-145.

3. The Settlement

As the applicant, Great Oaks bears the burden of proof to show that the regulatory relief it requests is just and reasonable, and the related ratemaking mechanisms are fair. In order for the Commission to consider whether a proposed settlement is in the public interest, the Commission must be convinced the parties had a thorough understanding of the application and all of the underlying assumptions and data included in the record. The requirements for adopting a settlement are set forth in Rule 12.1(a) of the Commission's Rules of Practice and Procedure (Rule),⁴⁴ which states:

Parties may, by written motion any time after the first prehearing conference and within 30 days after the last day of hearing, propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding. Settlements need not be joined by all parties; however, settlements in applications must be signed by the applicant....

When a settlement pertains to a proceeding under a Rate Case Plan or other proceeding in which a comparison exhibit would ordinarily be filed, the motion must be supported by a comparison exhibit indicating the impact of the settlement in relation to the utility's application and, if the participating staff supports the settlement, in relation to the issues staff contested, or would have contested, in a hearing.

Rule 12.1(d) provides that:

The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

Rule 12.5 limits the future applicability of a settlement:

⁴⁴ All referenced Rules are the Commission's Rules of Practice and Procedure. <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=154622266>.

Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

The record consists of all filed documents, served and filed testimony, the proposed settlement and the motion for its adoption. The settlement resolves all issues in this GRC and in the ORA Report of Operations.

Great Oaks represents the utility and its shareholders, while ORA represents the interests of ratepayers. The settlement is the result of extensive and vigorous negotiations. The parties to the settlement have a thorough understanding of the issues and all of the underlying assumptions and data, and could therefore make informed decisions in the settlement process.

The Commission could have resolved the issues in favor of either of the parties. Accordingly, the settling parties have balanced a variety of issues of importance to them and have agreed to the settlement as a reasonable means by which to resolve the issues. For the reasons discussed above, the settlement is reasonable in light of the record as a whole.

There are no terms within the Settlement Agreement that would bind the Commission in the future or violate existing law. Therefore, we find the settlement consistent with the law.

There is a public policy favoring the settlement of disputes to avoid costly and protracted litigation.⁴⁵ The settlement satisfies this public policy preference for the following reasons:

⁴⁵ D.88-12-083, 30 CPUC2d 189, 221.

- a. The sponsors of the settlement represent the interests of Great Oaks and its shareholders as well as Great Oaks' customers, the ratepayers.
- b. The settlement serves the public interest by resolving competing concerns in a collaborative and cooperative manner.
- c. By reaching agreement, the parties avoid the costs and uncertainties of further litigation in this proceeding, and eliminate the possible litigation costs for rehearing and appeal. Approval of the settlement provides speedy and complete resolution of the issues.
- d. The settlement meets the applicable settlement standards of Rule 12.1(d), should be accorded the same deference the Commission accords settlements generally, and should be adopted.

The settlement terms ensure customers have access to a safe and reliable water supply at a reasonable cost,⁴⁶ and Great Oaks and its shareholders will receive a reasonable rate of return on their investments. We therefore conclude that the settlement is in the public interest.

In conclusion, the settlement should be adopted because it is reasonable in light of the whole record, consistent with law, and in the public interest. Adoption of the settlement is binding on all parties to the proceeding. However, approval of the settlement does not bind the Commission or otherwise establish a precedent in this or any future proceeding.

4. Safety Considerations

Pub. Util. Code § 451 requires that every public utility must maintain adequate, efficient, just, and reasonable service to promote the "safety, health, comfort, and convenience of its patrons, employees, and the public." No party

⁴⁶ A revenue calculation and rate table showing the impact of Great Oaks' approved revenue requirement for 2016 on the average residential customer is attached hereto as Appendix A of Attachment 1 (Summary of Earnings) and Attachments 2 and 3.

raised any safety-related concerns during the course of this proceeding that were not adequately addressed within other issues (e.g., water quality). We have evaluated the Application and Settlement Agreement and are satisfied that the Application does not present any additional safety related concerns that need to be addressed.

5. Admittance of Testimony and Exhibits into the Record

Since evidentiary hearings were not held in A.15-07-001, there was no opportunity to enter prepared testimony and exhibits into the record. In order to fairly assess the record, it is necessary to include all testimony and exhibits served by the Parties. In the joint motion of February 26, 2016, the Parties requested, pursuant to Rule 13.8 of the Commission's Rules of Practice and Procedure, that the Commission receive the public and confidential version of their Exhibits into the record of A.15-07-001.

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 GRC 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)

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

Given the necessity of Great Oaks' and ORA's testimony to our assessment of the proposals put forth, we admit into evidence the public and confidential versions of the Parties Exhibits mentioned above.

6. Motion to Seal

Pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure, the Applicants filed a motion on March 18, 2016, for leave to file Exhibits ORA-3 (Appendix G and Appendix H, (part 1) Confidential Version (served October 19, 2015 and ORA-5 Appendix H, (part 2) Confidential Version (served October 19, 2015) as confidential materials under seal. The Applicants represent that the information is sensitive, and disclosure could place the Applicants at an unfair business disadvantage. We have granted similar requests in the past and do so here.

7. Categorization and Need for Hearing

In Resolution ALJ 176-3360, dated July 23, 2015, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner stated that evidentiary hearings would be held if necessary. In light of Parties' settlement of all issues in this proceeding, hearings are not necessary. Therefore, we change our preliminary determination regarding hearings, to "no hearings are necessary."

8. Waiver of Comment Period

This is now an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

9. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Gerald F. Kelly is the assigned ALJ in this proceeding.

Findings of Fact

1. Great Oaks is a Class A water utility subject to the Commission's jurisdiction.
2. Great Oaks filed its Application on July 1, 2015.
3. On August 3, 2015, the Commission's ORA filed a timely protest.
4. On February 26, 2016, Great Oaks and ORA filed a joint motion to adopt a settlement agreement in this GRC.
5. The record of the proceeding is comprised of the application, testimony of the parties and all other filings.

6. The parties to the settlement adopted by this decision have a thorough understanding of the issues and the underlying assumptions and data and could therefore make informed decisions in the settlement process.

7. The proposed settlement is a balance between the original positions of the parties and their positions as otherwise posed in the prepared testimony of the parties.

Conclusions of Law

1. The Applicant alone bears the burden of proof to show that its requests are reasonable.

2. Rule 12.1(d) provides that the Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

3. The proposed settlement is reasonable in light of the record as a whole because it fairly balances the interests of the utility and ratepayers.

4. The settlement is consistent with the law because it does not contravene or compromise any statutory provisions or prior Commission decisions.

5. Adoption of the settlement is binding on all parties to the proceeding. However, pursuant to Rule 12.5, the settlement does not bind or otherwise impose a precedent in this or any future proceeding.

6. The Motion to adopt the Settlement Agreement and the terms of the Settlement Agreement should be adopted.

7. Great Oaks should be granted a revenue requirement of \$15,816,811 for Test Year 2016/2017.

8. Great Oaks should take the necessary actions to comply with the provisions set forth in the Settlement Agreement.

9. Great Oaks' and ORA's request to treat selected versions of its testimony as confidential should be granted, as detailed herein.

10. Great Oaks' and ORA's request to receive testimony into the record should be granted, as detailed herein.

11. There is no need for evidentiary hearings for this proceeding.

12. Exhibits ORA-3 (Appendix G and Appendix H, (part 1) Confidential Version (served October 19, 2015 and ORA-5 Appendix H, (part 2) Confidential Version (served October 19, 2015) should be sealed and treated confidentially. The documents placed under seal should remain under seal for a period of three years.

13. All rulings issued by the assigned Commissioner and ALJ should be affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, should be denied.

14. Given that no hearings are needed, the preliminary determination regarding hearings should be changed to "no hearings are necessary."

O R D E R

IT IS ORDERED that:

1. The joint motion of Great Oaks Water Company and the Office of Ratepayer Advocates to adopt the February 26, 2016 settlement is granted. The Settlement Agreement attached to this decision as Attachment One is adopted.

2. A revenue requirement of \$15,816,811 for Test Year 2016/2017 is adopted.

3. Great Oaks Water Company shall file a Tier 1 advice letter no later than five days after the effective date of this order to implement changes in rates associated with this decision as shown in the tariff sheets attached to this decision effective July 1, 2016.

4. All rulings issued by the assigned Commissioner and Administrative Law Judge (ALJ) are affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, are denied.

5. The prepared testimony of Great Oaks Water Company (Great Oaks), consisting of Great Oaks' Exhibit-1 through Exhibit-9 are received into evidence.

6. The prepared testimony of the Office of Ratepayer Advocates (ORA), consisting of the public and confidential versions of ORA Exhibit-1 through Exhibit-6 are received into evidence.

7. The March 18, 2016 motion of Great Oaks Water Company (Great Oaks) and the Office of Ratepayer Advocates (ORA) for leave to file Exhibit ORA-3 (Appendix G and Appendix H, (part 1) Confidential Version (served October 19, 2015)) and Exhibit ORA-5 Appendix H, (part 2) Confidential Version (served October 19, 2015) as confidential materials under seal is granted for a period of three years from the date of this order. During this three-year period, the information in Exhibit ORA-3 and Exhibit ORA-5 shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If Great Oaks or ORA believes that it is necessary for this information to remain under seal for longer than three years, Great Oaks or ORA may file a new motion showing good cause for extending this order by no later than 30 days before expiration of this order.

8. The determination made in Resolution ALJ 176-3360 that hearings are necessary is changed to "no hearings are necessary."

9. Today's decision is effective immediately.

10. Application 15-07-001 is closed.

This order is effective today.

Dated May 26, 2016, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners

ATTACHMENT 1

**Settlement Agreement
Comparison Exhibit
Pension Expense Balancing Account**

or subsidiary companies, affiliates, officers, directors, and/or employees. Adoption of 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 2016/2017¹ as shown in Table 3.1 below. (See also Appendix A, Average Services, Page 2.)

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

Table 3.1
Average Number of Services

Customer Class	Great Oaks	ORA	Great Oaks Exceeds ORA	% Difference	Settlement
Metered Service					
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 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 during the years of this 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.²

² 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 25³) 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 24A⁴), and the Parties agree that Great Oaks may request the same wells in a future GRC. The Parties further agree that ORA will not use Great Oaks' consent to the withdrawal here for settlement purposes to deny 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 that ORA will not use Great Oaks' consent to the withdrawal here for settlement purposes to deny 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.

³ Great Oaks Exhibit G, Capital Projects Justifications, p. 3.

⁴ Great Oaks Exhibit G, Capital Projects Justifications, pp. 1-2.

Table 3.11
Plant in Service Additions and Costs

Plant in Service Addition/Capital Project	Attrition Year 2015/2016		Test Year 2016/2017		Escalation Year 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

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 Weighted Average Depreciated 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.⁵

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

⁵ ORA Report, pages 121 – 128.

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).

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.⁶

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

⁶ ORA Report, pages 129 – 133.

the Decision adopting this settlement. 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).

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) 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).

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 Report⁷, and Error 2, as described in the ORA Report.⁸ 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 Agreement.

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

⁷ ORA Report, pages 177 – 179.

⁸ ORA Report, pages 179 – 181.

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 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

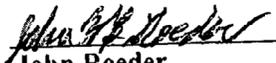
The Parties agree and stipulate to the admission of Great Oaks’ Prepared Testimony (Exhibits Great Oaks-1 through Great Oaks-8) and ORA’s Report on the Results of Operations (Exhibits ORA Exhibit-1 through Exhibit-6), into the formal evidentiary record in this proceeding. The Parties agree to submit 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

**SETTLEMENT AGREEMENT
APPENDIX A
COMPARISON EXHIBIT**

Summary of Earnings
Test Year 2016/17

Values in Actual Dollars

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
Operating Revenues					
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
Total Operating Revenues (Excluding CPUC Fees)	18,412,807	17,518,239	14,930,973	18.9%	15,816,811
Inc/-Decr over Present Rates	8.5%	3.2%	-12.6%		-6.8%
Expenses					
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
Total Expenses	16,809,349	16,313,225	13,785,572	18.0%	14,611,552
Inc/Dec over est. 2014/2015	22.0%	20.6%	0.03%		5.70%
Net Income	1,549,270	1,205,014	1,145,401	26.1%	1,205,259
Ratebase	17,620,420	13,241,915	12,586,829	28.6%	13,244,610
Rate of Return	9.10%	9.10%	9.10%	0.0%	9.10%

**Average Services
Test Year 2016/2017**

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
General Metered Services					
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
Total	20,928	20,928	20,928	0.0%	20,928
Private Fire Protection Service	318	318	318	0.0%	318
Total Average Services	21,246	21,246	21,246	0.0%	21,246

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

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
General Metered Water Service					
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

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

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
General Metered Water Service					
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

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

Average consumption per customer

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
General Metered Water Service					
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

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

Average consumption per Customer	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
General Metered Water Service					
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
Total Water Sales	4,358,930	4,358,930	4,410,121	-1.2%	4,358,930
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%
Total Water Produced	4,512,350	4,512,350	4,560,065	-1.1%	4,512,350

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

O&M Expenses	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
O&M Expense Account					
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
Total O&M Expenses	9,945,489	9,763,639	8,249,881	17.0%	8,761,855
O&M Expense Per Customer	475.22	466.53	394.20	17.0%	418.67

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

A&G Expenses

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
A&G Expense Account					
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
Total A&G Expenses	2,648,365	2,426,679	1,753,277	33.8%	2,076,482
A&G Expenses/Customer	126.55	115.95	83.78	33.8%	99.22
Payroll Expenses					
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
Total Payroll	2,315,890	2,313,907	2,042,604	11.8%	2,261,632
Total A&G Expenses (incl. payroll)	4,964,255	4,740,586	3,795,881	23.5%	4,338,114
Total O&M and A&G Expenses (w/o payroll)	12,593,854	12,190,318	10,003,158	20.6%	10,838,337
Total Operating Expenses (incl. payroll)	14,909,745	14,504,225	12,045,762	19.2%	13,099,969

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

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
Ad Valorem Taxes					
City and County Taxes	232,563	236,397	204,501	12.1%	214,548
Payroll Taxes					
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
Taxes Other Than Income	381,511	385,199	341,203	10.6%	362,593

Income Taxes
Test Year 2016/2017

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
Operating Revenues	18,412,807	17,518,239	14,930,973	18.9%	15,816,811
Expenses					
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%
CCFT	163,848	112,949	107,158	34.6%	117,384
Deductions					
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
Income Tax					
Taxable Income, Federal	1,770,974	1,278,178	1,221,164	31.0%	1,279,790
FIT Rate	34%	34%	34%		34%
FIT	602,131	434,580	415,196	31.0%	435,129

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
Plant in Service Test Year 2016/2017					
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%
Plant in Service Test Year 2017/2018					
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%
Plant in Service Attrition Year 2018/2019 (for illustration only)					
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%

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
Depreciation Expense Test Year 2016/2017					
Balance - BOY	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
Total Credits	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
Total Debits	-29,573	-25,896	-29,573	0.0%	-25,896
Comp. Depreciation Rate	2.82%	2.95%	2.89%		2.73%
Avg. Accum. Depreciation	23,475,348	23,454,674	23,475,348	0.0%	22,682,284

Depreciation Expense Escalation Year 2017/2018 (for illustration only)					
Balance - BOY	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
Total Credits	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
Total Debits	-39,943	-35,846	-39,943	0.0%	-35,846
Comp. Depreciation Rate	2.89%	3.02%	2.94%	-1.80%	2.75%
Avg. Accum. Depreciation	24,767,218	24,770,612	24,737,049	0.12%	23,849,216

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

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
Utility Plant					
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
Total Gross Plant	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
Total Rate Base	17,620,420	13,241,915	12,586,829	28.6%	13,244,610
Net Income	1,603,458	1,205,014	1,145,401	28.6%	1,205,259
Rate of Return	9.10%	9.10%	9.10%	0.0%	9.10%

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

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
Utility Plant					
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
Total Gross Plant	49,037,462	46,658,905	45,133,986	8.0%	44,751,527
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
Total Rate Base	18,810,465	15,040,623	12,804,309	31.9%	14,345,155
Net Income	1,711,752	1,368,697	1,165,192	31.9%	1,305,409
Rate of Return	9.10%	9.10%	9.10%	0.0%	9.10%

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

	GOWC Application Orig. Workpapers	GOWC Rebuttal Workpapers	ORA Report Workpapers	Difference (%) GOWC Orig. Exceeds ORA	Adopted Settlement Workpapers
Utility Plant					
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
Total Gross Plant	49,708,271	47,886,774	45,687,255	8.1%	45,799,028
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
Total Rate Base	18,469,313	15,202,539	12,434,299	32.7%	14,688,142
Net Income	1,680,708	1,383,431	1,131,521	32.7%	1,336,621
Rate of Return	9.10%	9.10%	9.10%	0.0%	9.10%

SETTLEMENT AGREEMENT
APPENDIX B
Pension Expense Balancing Account

Settlement Agreement

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 1st 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.

(END OF ATTACHMENT 1)

ATTACHMENT 2

**Service and Quantity Charges
Single-Family Residential Bi-Monthly Bill Comparison (5/8" x 3/4" meter)
Adopted Values for Water and Power
Number of Customers**

Service and Quantity Charges

Test Year 2016/2017 Meter Service Charges		
Meter Size	Ratio	Charge
5/8"	1.0	\$8.15
3/4"	1.5	\$12.23
1"	2.5	\$20.38
1 1/2"	5.0	\$40.76
2"	8.0	\$65.22
3"	15.0	\$122.28
4"	25.0	\$203.81
6"	50.0	\$407.62
8"	80.0	\$652.18
10"	115.0	\$937.52
12"	165.0	\$1,345.13

2016/2017 General Metered Service Qty Charge	
Per 100 Cu.Ft.	\$2.8458

2016/2017 Tiered Qty. Charges (Single Family Only)	
0 - 13 CCF/Bi-Monthly	\$2.6275
14 - 32 CCF/Bi-Monthly	\$2.8458
>32 CCF/Bi-Monthly	\$3.2812

2016/2017 Irrigation Qty. Charge Credit	
Per 100 Cu.Ft.	\$1.6904

2016/2017 Contract Resale Qty. Charge	
Per 100 Cu.Ft.	\$2.5612
Calculated @ 90% of Quantity Charge	

Single-Family Residential Bi-Monthly Bill Comparison (5/8" X 3/4" meter)

Usage/Month (ccf)	At Current Rates*	At Adopted Rates	Difference	% Difference
10	\$74.84	\$70.38	(\$4.46)	-5.96%
15	\$100.91	\$98.84	(\$2.07)	-2.05%
20	\$132.53	\$130.78	(\$1.75)	-1.32%
25	\$164.87	\$163.59	(\$1.28)	-0.08%

* Includes pump tax surcharges that are incorporated into adopted rates.

Adopted Values for Water and Power

	Test Year 2016/2017	Proposed Escalation Year 2017/2018	Proposed Attrition Year 2018/2019
Water Consumption (CCF)			
General Metered Service	4,358,930	4,563,750	4,762,492
Unaccounted Water (3.4%)	153,420	160,629	167,624
Total Water Production	4,512,350	4,724,379	4,930,116
Purchased Power			
Total Purchased Power Expense	\$818,304	\$856,755	\$894,064
Water Production (AF)	10,359	10,846	11,318
Water Production (CCF)	4,512,350	4,724,379	4,930,116
Wells, KWH	4,758,193	4,981,773	5,198,719
Boosters, KWH	421,273	441,068	460,275
Total KWH	5,179,465	5,422,841	5,658,994
KWH/AF	500	500	500
KWH/CCF	1.15	1.15	1.15
Wells KWH/CCF	1.05	1.05	1.05
Booster KWH/CCF	0.09	0.09	0.09
Purchased Power, \$/KWH	\$0.15799	\$0.15799	\$0.15799
Average % - Wells	91.87%	91.87%	91.87%
Average % - Boosters	8.13%	8.13%	8.13%
Federal Tax Rate	34.00%	34.00%	34.00%
State Tax Rate	8.84%	8.84%	8.84%
Franchise Fee	2.00%	2.00%	2.00%
Uncollectible Rate	0.19%	0.19%	0.19%

	Test Year 2016/2017	Proposed Escalation Year 2017/2018	Proposed Attrition Year 2018/2019
Number of Customers			
Single-Family Residence	19,598	19,603	19,608
Multi-Family Residence	598	598	598
Business	311	311	311
Industrial	42	42	42
Public Authority	157	157	157
Schools	34	34	34
Private Landscape	182	182	182
Agriculture	6	6	6
Total No. of Customers	20,928	20,933	20,938
Water Sales (CCF)			
Customer Class			
Single-Family Residence	2,583,016	2,744,420	2,905,906
Multi-Family Residence	801,081	808,077	808,915
Business	246,685	250,168	253,652
Industrial	86,081	93,105	100,129
Public Authority	186,212	196,211	206,210
Schools	176,928	186,251	195,575
Private Landscape	278,927	285,517	292,106
Total Non-Ag. Sales	4,358,930	4,563,750	4,762,492
Agriculture	0	0	0
Total Water Sales	4,358,930	4,563,750	4,762,492
Unaccounted for Water	153,420	160,629	167,624
Total Water Produced	4,512,350	4,724,379	4,930,116
Consumption per Customer (CCF)			
Single-Family Residential	131.8	140.0	148.20
Multi-Family Residential	1,339.6	1,351.3	1,352.70
Business	793.2	804.4	815.60
Industrial	2,049.5	2,216.8	2,384.0
Public Authorities	1,186.1	1,249.8	1,313.4
Schools	5,203.8	5,478.0	5,752.2
Private Landscaping	1,532.6	1,568.8	1,605.0
Agricultural	0.0	0.0	0.0

(END OF ATTACHMENT 2)

ATTACHMENT 3

Tariff Sheets

Schedule No. 6
CONTRACT RESALE SERVICE

APPLICABILITY

Potable water metered service delivered to a water retailer by contract at location outside the Company's certified service territory.

TERRITORY

Wholesale water service may be obtained for use outside the Company's certified service territory.

RATES

Quantity Rates:

For all water delivered, per 100 Cu. Ft.	\$ 2.5612	(I)
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Service Charge:

	<u>Per Meter</u>	
	<u>Per Month</u>	
For 2 inch meter	\$ 65.22	(R)
For 3 inch meter	122.28	(R)
For 4 inch meter	203.81	(R)
For 6 inch meter	407.62	(R)
For 8 inch meter	652.18	(R)
For 10 inch meter	937.52	(R)
For 12 inch meter	1,345.13	(R)
		(D)

The Meter Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the charge for water used computed at the Quantity Rates.

(Continued)

Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area is Southeast San Jose, East of Snell Road and South of Hellyer Park.

RATES

Quantity Rates:	Per Meter Per Month	
For all water delivered, per 100 Cu. Ft.	\$ 2.8458	(I)
<u>Service Charge:</u>		
For 5/8x3/4 inch meter	\$ 8.15	(R)
For 3/4 inch meter	12.23	(R)
For 1 inch meter	20.38	(R)
For 1 1/2 inch meter	40.76	(R)
For 2 inch meter	65.22	(R)
For 3 inch meter	122.28	(R)
For 4 inch meter	203.81	(R)
For 6 inch meter	407.62	(R)
For 8 inch meter	652.18	(R)
For 10 inch meter	937.52	(R)
For 12 inch meter	1,345.13	(R)
		(D)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the charge for water used computed at the Quantity Rates.

(Continued)

Schedule No. 14.1
MANDATORY WATER CONSERVATION
 (continued)

2. In recognition that some single-family residential customers conserve water at all times, not just in times of drought, a minimum Drought Allocation has been established of 7 ccf per month (5,236 gallons per month) for this Schedule No. 14.1. In practice, if the Drought Allocation for a single-family residential customer based upon actual 2013 usage calculates to less than 7 ccf per month, that customer's Drought Allocation will be set at 7 ccf per month pursuant to this minimum Drought Allocation procedure.

3. In recognition that some single-family residential customers do not have an established 2013 history of usage, the following table shows the Drought Allocations that will be applied to those single-family residential customers without an established 2013 history of usage.

Drought Allocations for Single-Family
 Residential Customers Without 2013 Usage History
 (all values in ccf)

January	7	July	12
February	7	August	13
March	7	September	12
April	7	October	10
May	9	November	9
June	11	December	8

5. If a customer exceeds an applicable Drought Allocation, the customer shall be subject to the following Excess Usage Surcharge:

For usage over the applicable Drought Allocation (i.e., the amount of excess usage), the customer shall be charged \$6.5624 per ccf. (I)

6. Excess Usage Surcharges shall be in addition to all other charges for water service. Customers participating in the Utility's Low Income Customer Assistance Programs shall be entitled to a 50% reduction in Excess Usage Surcharges upon written request.

7. If a customer exceeds an applicable Drought Allocation in three consecutive billing periods, in addition to the Excess Usage Surcharges for such violations, the Utility may install a flow-restricting device on the customer's service line, subject to the following conditions:

a. The flow-restricting device shall be capable of providing a minimum of 3 ccf per person per month to the service residence, based upon the actual or estimated number of persons living in the service residence. A flow-restricting device shall not be installed if doing so would violate fire flow requirements.

Schedule No. 1
GENERAL METERED SERVICE

Tiered Rates
 Designed and Ordered by the California Public Utilities Commission

APPLICABILITY

Applicable to all single-family residential services only.

TERRITORY

The area is Southeast San Jose, East of Snell Road and South of Hellyer Park.

RATES

Quantity Rates (Tiered Rates):

Per Meter/Per Month

For all water delivered, per 100 Cu. Ft.

For total bi-monthly usage from 0 to 13 Ccf.	\$ 2.6275	(I)
For total bi-monthly usage above 13 to 32 Ccf.	2.8458	(I)
For total bi-monthly usage over 32 Ccf.	3.2812	(I)

Service Charge (Conservation Rates):

For 5/8x3/4-inch meter	\$ 8.15	(R)
For 3/4x3/4-inch meter	12.23	(R)
For 1-inch meter	20.38	(R)
For 1 1/2-inch meter	40.76	(R)
For 2-inch meter	65.22	(R)
For 3-inch meter	122.28	(R)
For 4-inch meter	203.81	(R)
For 6-inch meter	407.62	(R)
For 8-inch meter	652.18	(R)
For 10-inch meter	937.52	(R)
For 12-inch meter	1,345.52	(R)
		(D)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

(Continued)

Schedule No. 3M
IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area in Southeast San Jose, East of Snell Road and South of Hellyer Park.

RATES

Quantity Rates:	Per Meter Per Month	
For all water delivered, per 100 Cu. Ft.	\$ 2.8458	(I)
Service Charge:		
For 2 inch meter	\$ 65.22	(R)
For 3 inch meter	122.28	(R)
For 4 inch meter	203.81	(R)
For 6 inch meter	407.62	(R)
For 8 inch meter	652.18	(R)
For 10 inch meter	937.52	(R)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added to the charge for water used computed at the Quantity Rates.

(Continued)

(End of Attachment 3)

ATTACHMENT 4

Summary of Issues Raised by Speakers at the Public Participation Hearing

1. What considerations have been given to seniors and others on fixed incomes?
2. What considerations have been given to homeowners who converted their lawns to low or no-water landscapes?
3. Whether the requested capital projects can be spread out over the three-year period of the Application?
4. How do capital expenditures impact customers?
5. When will the water quality report for 2015 be available?
6. Why is Great Oaks requesting an increase each of the three years?
7. What does the drought have to do with the increases?
8. Why is Great Oaks changing meters from 5/8" to 3/4"?
9. Those who are conserving feel that they are being punished with rate increases.
10. What can be done about the Santa Clara Valley Water District pump tax?
11. Does Great Oaks impose fines on people who use too much water?
12. What has Great Oaks done to cut back on expenses?
13. Why are Great Oaks exhibits D-H not posted on the Commission's webpage?
14. What will happen when there is rain and things return to normal?
15. How are new customers in new developments factored into rate increases and the supply of water?
16. Should Santa Clara Valley Water District be involved with Great Oaks Application?
17. Does Great Oaks only have groundwater?

(END OF ATTACHMENT 4)

ATTACHMENT 5

Summary of Issues Raised in Written Comments from the Public

1. Opposes any increase and any increase authorized should only be used to improve water quality.
2. Supports an increase in the Usage Charge, but opposes any increase in the Readiness to Serve Charge.
3. Opposes increase and believes they are being punished for conserving water, yet people who have huge landscaped yards continue to use a lot of water without any consequences.
4. Two individuals opposed any increase due to the high cost of living in the local area.
5. Two individuals opposed any increase due to the impact it could have on seniors on fixed incomes.
6. Two individuals expressed concerns that changing meters from 5/8" to 3/4" will result in higher water bills.

(END OF ATTACHMENT 5)