

DRAFT

Item #31
AGENDA ID #5521
5/11/06

WATER/KPC/FLC/SNR:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4594
May 11, 2006

R E S O L U T I O N

**(RES. W-4594), GREAT OAKS WATER COMPANY.
ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING AN ADDITIONAL ANNUAL REVENUE OF
\$595,878 OR 5.40% FOR TEST YEAR 2006-2007.**

SUMMARY

Great Oaks Water Company (Great Oaks) is authorized \$595,878 or 5.40% general revenue increase for a total company operations for test year 2006-2007, and for escalation years 2007-2008, and 2008-2009 appropriate inflationary increases to be determined in 2007 and 2008 pursuant to Commission's Rate Case Plan Decision (D.04-06-018). Great Oaks is also authorized to institute a low income customer program.

Great Oaks is denied authorization for its proposed base revenue memorandum account at this time, but is allowed to file an advice letter to implement the same revenue memorandum account as the Commission may grant either in California Water Service Company's pending general rate increase (GRC) application (A.05-08-006), or in a future generic proceeding, whichever comes first.

Great Oaks' proposed Conservation Gold Seal Program is denied. Great Oaks is encouraged to work in cooperation with the California Urban Water Conservation Council to develop a more effective conservation incentive program for customers.

BACKGROUND

In Resolution W-4556, August 25, 2005 the Commission granted Great Oaks' request to file this GRC by advice letter rather than by formal application. The Commission did so as an experiment to determine whether and when the advice letter process may be a suitable alternative to the formal application process.

The Office of Ratepayer Advocates (ORA) filed a timely application for rehearing of the resolution. The Commission denied rehearing in D.05-12-048.

Great Oaks filed Advice Letter No. 173 on June 24, 2005, and the supplement, Advice Letter No. 173-A on November 1, 2005. Great Oaks originally sought to increase the revenues by \$930,255 or 8.9% for test year 2006-2007, and \$82,892 or 0.7% for each of escalation years 2007-2008 and 2008-2009. The supplemental advice letter sought to revise revenue increases to \$881,718 or 8.27% for 2006-2007, \$171,795 or 1.49% for each of 2007-2008 and 2008-2009. The change in revenue increases resulted from revised higher water sales forecasts, increased disinfection requirements and anticipated fuel cost much higher than expected.

Other than the general rate increase, Great Oaks also requested the following:

- (1) A Base Revenue Memorandum Account to track revenue earnings due to sales fluctuations.
- (2) A low income customer program and a related memorandum account.
- (3) A Conservation Gold Seal Program and associated memorandum account.
- (4) A tariff schedule for California Military Financial Relief Act of 2005.

NOTICE, PUBLIC MEETING, AND CUSTOMER PROTEST

A notice of the proposed rate increase was published by Great Oaks on September 7, 2005 in the San Jose Mercury, a daily newspaper of general circulation. The notice was also sent to all customers by bill inserts. A public meeting was held on October 17, 2005 at 6 p.m. at the Holiday Inn, in Santa Clara, CA. The notice of the public meeting was published in the San Jose Mercury on October 4, 2005. No customer protested the rate increase; no customer attended the public meeting.

Office of Ratepayer Advocates (ORA) Protest and Water Division (WD) Response

ORA protested Great Oaks' AL 173 and its supplemental AL 173-A. The major issues ORA brought up are as follows:

1. AL 173 - ORA points out that Great Oaks has requested more revenues in AL 173 than it had in its May 2005 Proposed Application, which was converted to the above advice letter. ORA is concerned that Great Oaks was taking advantage of the less formal process by increasing the requested revenue. WD investigated the reasons for the increased request and found that the revision to the revenue request was made to reflect latest tariff rates, correct income tax, revision to plant additions and present payroll expense. WD considers the reasons to be acceptable.
2. AL 173-A - ORA objects to Great Oaks proposals for (a) a Base Revenue Memorandum Account (BRMA), (b) Low income Customer Assistance Program (LICAP), and (c) a Conservation Gold Seal Memo Account, and (d) additional expense updates. WD does not object to the consideration of BRMA, but believes that such proposal, which has not been authorized to any water utilities by this Commission, should be reviewed and decided in a formal proceeding. Further, California Water Service Company (CWS) in its general rate case application (A.05-08-006), which is pending before the Commission, has requested the establishment of a similar revenue/sales adjustment. Hence, WD recommends that if the Commission authorizes such a memorandum account either in the CWS A.05-08-006 or in a generic proceeding, Great Oaks be allowed to file an advice letter requesting establishment of such a memorandum account for its water service. WD fully agrees with ORA on item (c) as discussed earlier in this resolution. Regarding Item (b), LICAP, WD considers Great Oaks proposal to be in conformance with the Commission policy and should be allowed. Concerning the additional expense update, WD was able to review the justifications thoroughly and considered a portion of the increased expenses to be reasonable.

DISCUSSION

Water Division staff (WD) has reviewed Great Oaks advice letter requests, made its own analyses and conducted field investigations. WD considers Great Oaks' requests to be generally reasonable. However, it takes issues in the following items:

Expenses

Management Salaries: Great Oaks' management salary estimate for calendar year 2006 is \$907,272; whereas, that of WD is \$779,294. The difference is \$127,872 is attributable to the WD's adjustment, for rate-making purpose, of the salary of the newly hired full-time attorney. Great Oaks added a full-time attorney to its staff in mid-2005 and projected that his pay for 2006 will be \$160,000. Previously, Great Oaks had utilized an outside counsel for doing the work this newly hired attorney would do - CPUC filings and other legal matters - at a cost of \$32,022 for 2006. Now, when calendar year estimates are converted to test year 2006-2007 estimates, Great Oak's projected amount is \$914,530 and that of WD is \$785,328 -a difference of \$129,202.

Outside Services Employed: Great Oaks' estimated expense for outside services for calendar year 2006 is \$267,165; whereas, that of WD is \$165,267. The difference of \$122,431 is attributable to: (1) WD's disallowance of \$17,466 forecasted expenses related to its litigation with the City of San Jose, which are to be recorded in Great Oaks' litigation memorandum account upon incurrence of the cost per D.03-12-039. In that decision the Commission, instead of allowing Great Oaks to reflect forecasted litigation expenses in the rates, required Great Oaks to track the incurred legal fees in a memorandum account for Commission review and any future recovery, (2) \$32,022 for CPUC filing and other legal matters, which the newly hired attorney will do, plus the regulatory cost of a GRC filing by advice letter is lower than that by application, (3) \$20,513 for public relations expense because of availability of in-house expertise, and (4) \$52,428 for imputed debt expense, which does not exist due to Great Oaks being one hundred percent equity financed. When the calendar year estimates are converted to test year 2006-2007, and an additional \$20,433 is added for additional water testing requirements, Great Oaks' projected amount is \$293,862 and that of WD is \$166,532, a difference of \$127,330. The in-house attorney's compensation of \$32,022 on a 2006 calendar year basis has been included with management salary above and thus not be included in the outside services.

Plant Additions

WD considers Great Oaks' proposed plant additions to be generally reasonable. However, it takes exception in the number of cars to be replaced, Great Oaks' ability to install new wells within Great Oaks's proposed time frame, and uncertainty of fire hydrant replacement program.

Regarding replacement of cars, WD has deleted one car from replacement because the car has only 70,000 miles on it with no mechanical problem and is expected to last at least another 30,000 miles. Concerning wells, Great Oaks has proposed to add one well in 2006 and another in 2007 but has not found sites for those wells yet. WD agrees on the need for those wells and the associated plant investment but doubts they could be installed in the time frame proposed. Hence, WD recommends that Great Oaks be allowed to file an advice letter once a year to include the wells and the associated plant investment in rate base upon completion and placement in service. Regarding fire hydrant replacement, Great Oaks will be allowed to add up to \$40,000/year. The total cost of the plant additions are not to exceed the estimated cost of \$1,131,000 for 2006 and \$1,035,000 for 2007. WD evaluated these costs and found them to be reasonable.

Pension Reserve Fund

WD has removed Great Oaks's inclusion of payments of \$150,000 in 2006 and \$185,000 in 2007 toward pension reserve fund as rate base additions since these amounts have already been included as operational expenses.

Affiliate Transactions

In Resolution W-4556, dated August 25, 2005 the Commission reminded Great Oaks to comply with the requirements regarding Transactions with Corporate Affiliates and Unregulated Transactions contained on page 9 of the Appendix of D.04-06-018. Great Oaks Water Company has an affiliate known as Great Oaks Wireless Company (Wireless). It was founded and incorporated in February 2005. It contracted with Pacific Coast Wireless Internet, Inc. to provide retail wireless internet service to residential customers through antennas owned by Great Oaks in conjunction with its SCADA system. Great Oaks Wireless has five customers. Its capital investment is \$77,205. It did not hire any new employees. Water Company employees do the work within their eight-hour days. No formal bookkeeping has yet been established. At WD's request Great Oaks

provided the estimate of staff compensation for the Wireless operation. The amount of expense is \$26,418 and the amount of revenue collected is \$2,570. Since this is a passive business, WD has allocated 30 percent of the revenue to the ratepayer pursuant to Commission decisions (D.00-07-018, D.03-04-028 and D.04-12-023).

Base Revenue Memorandum Account

Great Oaks has proposed to establish a "Base Revenue Memorandum Account" which is in fact a balancing account to stabilize revenue over periods of increased or decreased water sales as a result of weather variation and due to conservation by customers. WD does not object to the consideration of such proposal, but believes such proposal, which has not been authorized to any water utilities by this Commission, should be reviewed and decided in the first instance in a formal proceeding. Further, California Water Service Company (CWS) in its general rate case application (A.05-08-006), which is pending before the Commission, has requested the establishment of a similar revenue/sales adjustment account. Hence, WD recommends that if the Commission authorizes such a balancing account either in the CWS A.05-08-006 or in a generic proceeding, Great Oaks be allowed to file an advice letter requesting establishment of a similar balancing account for its water service.

Low Income Customer Service Program

Great Oaks has proposed to give a 50% reduction in the bimonthly service charge to low income customers and establish a memorandum account to track expenses and the rebate provided under this program. Great Oaks's proposal is in conformance with the last Commission decision addressing this issue (D.05-05-015, dated May 5, 2005, San Gabriel Valley Water Company).

Conservation

Great Oaks is required to submit every five years a Water Management Plan to the State Department of Water Resources (DWR). The plan covers water supply sources and quantities; reliability of sources; past, present, and future water use; supply and demand comparisons; water demand and management measures; water shortage contingency plan; water recycling, etc. Great Oaks has submitted a copy of its 2005 Water Management Plan with its advice letter. WD considers Great Oaks' conservation measures as outlined in the plan to be satisfactory.

Great Oaks has also proposed to establish a Conservation Gold Seal Program in which a customer is required to install low flush toilets, shower restrictors, faucet restrictors, water saving washing machine, water saver dishwasher, water saver water softeners and timers on all outdoor landscaping. In addition, the customer will need to have certified plumbers' verification report at customer's cost, that the above required items have been installed and are operational. Only after such verification report is sent to Great Oaks, a customer will be given a fifty percent reduction in the bimonthly service charge. At adopted tariff rates, the reduction in the service charge for two months would be \$7.22 for a 5/8 x 3/4 -inch metered customer. WD does not believe that Great Oaks' offered incentive for conservation will be attractive to any customers since the expenses to be incurred in order to qualify will exceed the amount of rate relief. Just to hire a plumber for the verification would cost over \$100. Hence, WD recommends that Great Oaks work in cooperation with California Urban Water Conservation Council pursuant to the Water Action Plan adopted by the Commission on December 15, 2005 and develop an effective conservation incentive program which will be attractive to the customers.

California Military Families Financial Relief Act of 2005

Great Oaks has proposed to incorporate the California Military Families Financial Relief Act of 2005 (Act) in its tariff schedule and asked for a memorandum account to track the costs related to this Act. The Act requires utilities to provide shut-off protection for 180 days to the families of full-time active military service personnel. Under the law, a utility may, but is not required, grant an extension after the initial 180-day period.

In order to allow the shut-off protection to be effective January 1, 2006, Great Oaks filed AL No. 175 to modify its tariffs to provide this service. Normally WD rejects advice letters when the advice letter request could be analyzed in a concurrent active rate proceeding. In this case, WD considered the advice letter a reasonable attempt to meet timing constraints. AL No. 175 was approved on regular statutory notice, on December 8, 2005, effective January 1, 2006, and need not be addressed here.

Rate of Return

Great Oaks has requested a rate of return on rate base of 9.71% for 2006, 2007, and 2008. Great Oaks' actual capitalization consists of 100% equity. For rate-making purposes though, it has proposed that an imputed capital structure of 34% debt and 66% equity be used as adopted by the Commission in D.03-12-003, in the company's last GRC. Great Oaks has proposed a debt interest rate of 9.84% which is the 20-year average yield to maturity of BAA corporate bonds plus 100 basis points as the imputed debt discount and expense amount. Great Oaks has proposed a return on equity of 8.82%.

WD has used the same imputed capital structure as Great Oaks, but recommends a higher return on equity of 9.31% for all three years and a lower debt cost of 7.21% for 2006, 7.4% for 2007, and 7.68% for 2008. WD has performed an analysis (including a discounted cash flow and risk premium analysis) of the required return on equity that supports a higher return on equity than requested by Great Oaks. Since Great Oaks has no current long term debt and is not expected to issue any long term debt over the test period, WD has recommended using the Data Resources, Inc. (DRI) forecasted BAA corporate bond rates for the test periods, which better reflects the debt rates for the period.

After review of Great Oak's response to the draft resolution and further discussion with Great Oaks, both WD and Great Oaks agreed to a overall rate of return on rate base of 9.01% for each 2006, 2007, and 2008, which included the debt issuance cost.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding. The 30-day comment period was neither waived nor reduced.

A draft resolution was mailed on December 27, 2005.

Both ORA and Great Oaks filed comments on the draft resolution. WD analyzed the comments and incorporated changes as appropriate and reflected in this

revised draft resolution which is being issued for the full 30-day comment period.

Both ORA and Great Oaks filed comments on the revised draft resolution. WD analyzed the comments and determined that no changes were required to be made to the revised draft resolution.

FINDINGS

1. WD's recommended Summary of Earnings shown in Appendix A is reasonable and should be adopted.
2. The rates recommended by WD (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop WD's recommendations are reasonable and should be adopted.
4. The low income customer assistance programs proposed by Great Oaks is reasonable and should be adopted.
5. The Conservation Gold Seal Program proposed by Great Oaks is not likely to be utilized by the ratepayers because ratepayers costs will greatly exceed any benefits.
6. Great Oaks may file an advice letter requesting a revenue/sales adjustment account if the Commission authorizes such or similar account to any other water utility through a formal hearing process.
7. ORA's protests are denied with the exception of the Base Revenue Memorandum Account which is granted in part.
8. Great Oaks has an affiliate company known as Great Oaks Wireless Company that provides retail internet service to residential customers.
9. Great Oaks has not established accounting records to track expenses, revenues and investments for the Great Oaks Wireless company operations.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under the Public Utilities Code Section 451 to Great Oaks Water Company to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rates Schedule No. 1, General Metered Service, Schedule No. 3M, Irrigation Service, and Schedule No. 4, Private Fire protection Service. The effective date of the revised rate schedules shall be July 1, 2006 or five days after the date of filing, whichever is later.
2. Great Oaks Water Company is authorized to make effective its Low Income Customer Assistance Program and establish a related memorandum account.
3. Great Oaks Water Company shall send, along with the most immediate bimonthly bills after the effective date of this resolution, its first notice to customers informing them of the Low Income Customers Assistance Program.
4. Great Oaks shall be allowed to file an advice letter to establish a revenue/sales adjustment account should the Commission grant to any other water utility a revenue/sales adjustment account in a specific or a generic formal proceeding.
5. Great Oaks Water Company shall be allowed to file an advice letter once a year to include wells and associated plant additions, and fire hydrants upon completion and placement of those plants in service. The costs of the plant additions are not to exceed \$1,131,000 for 2006 and \$1,035,000 for 2007.
6. Great Oaks Water Company shall establish accounting records to enter expenses, revenue and plant investments related to the operation of the Great Oaks Wireless Company per Commission decisions: D.00-07-018, D.03-04-028, and D.04-12-023.
7. Advice letters for escalation year rate increases for 2007-2008 and 2008-2009 shall be filed in accordance with General Order 96-A, or successor general order, no later than 45 days prior to the first day of the escalation year. The filing shall include appropriate work papers. The increase shall be reduced if Great Oaks's rate of return on rate base, adjusted to reflect rates then in effect,

normal ratemaking adjustments, and the adopted change to the pro forma test, for the 12 months ending March 31 of the same year , exceeds the amount authorized in the decision. The advice letters shall be reviewed by the Water Division for conformity with this resolution, the Rate Case plan decision (D.04-06-018), and shall go into effect upon Water Division's determination of compliance, not earlier than the first day of the escalation year, or 30 days after filing, whichever is later. The tariffs shall be applicable to service rendered on or after the effective date. The Water Division may allow the tariffs to go into effect but require that all amounts so collected be subject to refund. Water Division may reject or suspend the advice letter if it finds that the proposed increase does not comply with this resolution or other Commission requirements.

8. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 11, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

APPENDIX A
Page 1 of 1

GREAT OAKS WATER COMPANY
Test Year 2006-2007
Summary of Earnings
Dollars

Description	At Present Rates		At Proposed Rates	
	GOWC	ADOPTED	GOWC	ADOPTED
<u>Operating Revenues</u>				
Water Service Revenues	11,027,345	11,027,345	11,939,366	11,623,223
Other Revenues	4,825	5,596	4,825	5,596
Total Revenues	11,032,170	11,032,941	11,944,191	11,628,819
<u>Operating Expenses</u>				
Net Payroll Expense	1,551,566	1,432,349	1,551,566	1,432,349
Groundwater Charges, Acct. 700	4,995,876	5,205,876	4,995,876	5,205,876
Purchased Power, Acct 726	632,396	632,396	632,396	632,396
Maintenance of Pumping Equipment, Acct 732	36,375	36,375	36,375	36,375
Chemicals and Filtering Materials, Acct. 744	1,175	1,175	1,175	1,175
Meter Expenses, Acct. 754	263	263	263	263
T&D Maintenance Supervision and Eng, Acct. 758	16,513	16,513	16,513	16,513
Maintenance of Reservoirs and Tanks, Acct. 760	218	218	218	218
Maintenance of T&D Mains, Acct. 761	81,011	81,011	81,011	81,011
Maintenance of Services, Acct. 763	45,409	45,409	45,409	45,409
Maintenance of Meters, Acct. 764	10,320	10,320	10,320	10,320
Maintenance of Hydrants, Acct. 765	70,289	70,289	70,289	70,289
Customer Records and Collection, Acct. 773	134,569	134,569	134,569	134,569
Uncollectible Accounts, Acct. 775	23,187	23,187	24,892	24,233
Office Supplies and Other Expenses, Acct. 792	58,505	58,505	58,505	58,505
Property Insurance, Acct. 793	112,592	112,592	112,592	112,592
Injuries and Damages, Acct 794	45,971	45,971	45,971	45,971
Employee Pensions and Benefits, Acct. 795	400,827	398,380	400,827	398,380
Franchise Requirements, Acct. 796	213,295	213,295	230,936	224,821
CPUC Fees, Acct. 797	149,306	149,306	161,655	157,374
Rate Case Expenses, Acct. 797	162,500	162,500	162,500	162,500
Outside Services Employed, Acct. 798	293,862	166,532	293,862	166,532
Misc Gen Exp Other Than CWA Dues, Acct. 799	34,273	34,273	34,273	34,273
CWA Dues, Acct. 799	18,693	18,693	18,662	18,662
Maintenance of General Plant, Acct. 805	34,745	34,745	34,745	34,745
Rents, Acct. 811	98,605	98,605	98,605	98,605
Transportation Expense, Acct. 903	77,598	66,916	77,598	66,916
Total Operation and Maintenance Expense	9,299,940	9,250,263	9,331,603	9,270,872
Depreciation Expense	806,628	762,565	806,628	762,565
Taxes Other Than Income	269,643	261,501	269,643	261,501
Current State Income Tax	0	0	90,094	84,489
Current Federal Income Tax	0	0	353,521	324,178
Deferred Tax Expense	54,655	51,039	54,655	51,039
Total Operating Expense	10,430,865	10,325,368	10,906,143	10,754,644
Net Operating Revenue	601,306	707,573	1,038,048	874,175
Rate Base	11,323,994	9,701,424	11,323,994	9,701,424
Rate of Return, Percent	5.31%	7.29%	9.17%	9.01%

APPENDIX B
Page 1 of 3

Schedule No. 1
GENERAL METERED 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:	<u>Per Meter Per Month</u>	
For all water delivered, per 100 Cu. Ft.	\$ 1.573	(I)
Service charge:		
For 5/8x3/4 inch meter	\$ 7.26	(I)
For 3/4 inch meter	10.89	
For 1 inch meter	18.15	
For 1 1/2 inch meter	36.30	
For 2 inch meter	58.07	
For 3 inch meter	108.89	
For 4 inch meter	181.48	
For 6 inch meter	362.96	
For 8 inch meter	580.74	
For 10 inch meter	834.82	
For 12 inch meter	1,197.78	
For 14 inch meter	1,633.34	(I)

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.

SPECIAL CONDITIONS

1. All bills are subject to a 2% Franchise Fee imposed by the City of San Jose on customers within the city limits of the City of San Jose.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
3. Due to an under collection in the Company's production cost balancing account accumulated from November 30, 2001 through December 31, 2002, a surcharge of \$0.055 per Ccf is to be added to the quantity rate for 36 months from the effective date of Advice Letter 157-W, September 23, 2003.
4. Due to an under collection in the Company's production cost balancing account accumulated from January 1, 2003 through December 31, 2003, a surcharge of \$0.083 per Ccf is to be added to the quantity rate for 24 months from the effective date of Advice Letter 161-W, May 11, 2004.

(D)

APPENDIX B
Page 2 of 3

Schedule No 3M
IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered water to irrigate commercial agricultural crops for sale.

TERRITORY

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

RATES

Quantity Rates:	<u>Per Meter Per Month</u>	
For all water delivered, per 100 Cu. Ft.	\$ 0.209	(R)
For all water delivered, per Acre Ft.	91.02	(R)
Service charge:		
For 2 inch meter	58.07	(I)
For 3 inch meter	108.89	
For 4 inch meter	181.48	
For 6 inch meter	362.96	
For 8 inch meter	580.74	
For 10 inch meter	834.82	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and which is to be added to the charge for water used computed at the Quantity Rates. The Service Charges for the size meters listed above are the same as in Schedule No. 1.

SPECIAL CONDITIONS

1. The Santa Clara Valley Water District requires the customer to certify the water is used to irrigate commercial agricultural crops for sale to qualify for this rate. It is an express condition of this Irrigation Service that the customer cooperates in making the necessary certification to the Water District.
2. The Santa Clara Valley Water District has surcharges or discounts applicable to water used to irrigate commercial agricultural crops if the customer/farmer participates in the Water District's special programs. These surcharges or discounts are applied per Acre Ft., are granted or imposed by the Water District each month based on the customer/farmer's level of participation, and will be passed through by the Company each month to the customer/farmer.
3. All bills within the City of San Jose are subject to a 2% Franchise Fee imposed by the City of San Jose on all customers within the City limits.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B
Page 3 of 3

Schedule No. 4
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

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

RATES

	<u>Per Month</u>
For each 2-inch diameter service connection	\$ 5.11 (I)
For each 4-inch diameter service connection	8.64
For each 6-inch diameter service connection	15.39
For each 8-inch diameter service connection	25.03
For each 10-inch diameter service connection	41.27 (I)

SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility and the cost paid by the applicant. Such cost shall not be subject to refund.
2. The minimum diameter for fire protection service shall be two inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal services does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, and installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water, and the cost paid by the applicant. Such payment shall not be subject to refund.
5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
6. All bills are subject to a 2% Franchise Fee imposed by the City of San Jose on customers within the City of San Jose.
7. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX C
 Page 1 of 1

GREAT OAKS WATER COMPANY

Bill Comparisons

Adopted Rates

Monthly Bill, Dollars

Usage in Ccf	Present Rates	2006-2007 Rates	Increase Dollars	Percent
5/8x3/4-INCH METER				
0	\$5.99	\$7.51	\$1.52	25.38%
5	\$14.33	\$15.92	\$1.59	11.12%
10	\$22.68	\$24.34	\$1.67	7.35%
15	\$31.02	\$32.76	\$1.74	5.61%
20	\$39.36	\$41.18	\$1.81	4.61%
25	\$47.71	\$49.60	\$1.89	3.96%
30	\$56.05	\$58.01	\$1.96	3.50%
40	\$72.74	\$74.85	\$2.11	2.90%
50	\$89.43	\$91.69	\$2.26	2.52%
60	\$106.12	\$108.52	\$2.40	2.27%
70	\$122.81	\$125.36	\$2.55	2.08%
80	\$139.50	\$142.20	\$2.70	1.93%
90	\$156.19	\$159.03	\$2.85	1.82%
100	\$172.87	\$175.87	\$2.99	1.73%

Monthly Bill, Dollars

Usage in Ccf	2006-2007 Rates	2007-2008 Rates	Increase Dollars	Percent
5/8x3/4-INCH METER				
0	\$7.51	\$7.55	\$0.05	0.61%
5	\$15.64	\$15.74	\$0.10	0.61%
10	\$23.77	\$23.92	\$0.14	0.61%
15	\$31.91	\$32.10	\$0.19	0.61%
20	\$40.04	\$40.28	\$0.24	0.61%
25	\$48.17	\$48.47	\$0.29	0.61%
30	\$56.31	\$56.65	\$0.34	0.61%
40	\$72.58	\$73.02	\$0.44	0.61%
50	\$88.84	\$89.38	\$0.54	0.61%
60	\$105.11	\$105.75	\$0.64	0.61%
70	\$121.38	\$122.11	\$0.73	0.61%
80	\$137.65	\$138.48	\$0.83	0.61%
90	\$153.91	\$154.84	\$0.93	0.61%
100	\$170.18	\$171.21	\$1.03	0.60%

Bill comparisons include all surcharges included on customer bills.

APPENDIX D
 Page 1 of 4

GREAT OAKS WATER COMPANY

		Adopted Quantities	
		2006-2007	2007-2008
Number of Customers by Meter Size	5/8X3/4	18,984	19,009
	3/4	20	22
	1	445	446
	1-1/2	208	213
	2	454	467
	3	43	39
	4	36	37
	6	11	11
	8	8	8
	10	3	3
	Total	20,212	20,255
General Metered Service			
	Water Sales, Ccf	5,525,961	5,537,717
	Water Sales, Acre Feet	12,686	12,713
	Water Production, Acre Feet	13,266	13,376
	Unaccounted-for, Acre Feet	580	663
	Unaccounted-for, Percent of Production	4.37%	4.96%
	South of Metcalf, Other Than Agricultural	1,875	1,875
	North of Metcalf, Other Than Agricultural	11,391	11,501
Agricultural Irrigation Service			
	Water Sales, Ccf	217,800	217,800
	Water Sales, Acre Feet	500	500
	Water Production, Acre Feet	500	500
	South of Metcalf, Agricultural	125	125
	North of Metcalf, Agricultural	375	375
	Total Water Production, Acre Feet	13,766	13,876
Santa Clara Valley Water District Rates effective July 1, 2005			
	South of Metcalf, Other Than Agricultural	\$215.00	\$215.00
	North of Metcalf, Other Than Agricultural	\$420.00	\$420.00
	South of Metcalf, Agricultural	\$21.50	\$21.50
	North of Metcalf, Agricultural	\$42.00	\$42.00
Groundwater Charge Expense			
	South of Metcalf, Other Than Agricultural	403,125	403,125
	North of Metcalf, Other Than Agricultural	4,784,314	4,830,265
	South of Metcalf, Agricultural	2,688	2,688
	North of Metcalf, Agricultural	15,750	15,750
	Total	5,205,876	5,251,827
Purchased Power (Supplier - PG&E, Rates effective January 1, 2005)			
	Pumped Water, AF	13,766	13,876
	kWh/AF	373	373
	Pumping Power, kWh	5,133,456	5,174,254
	Purchased Electricity Cost, \$/kWh	\$0.1230	\$0.1230
	Purchased Electricity	631,415	636,433
	Uncollectibles Rate, Percent of Revenue	0.2156%	0.2156%
	Franchise Tax Rate, Percent of Revenue	2.00%	2.00%
	Federal Tax Rate	34.00%	34.00%
	State Corp Franchise Rate	8.84%	8.84%

APPENDIX D
Page 2 of 4

GREAT OAKS WATER COMPANY

Adopted Rate Base, Dollars	2006-2007	2007-2008
ADDITIONS TO RATE BASE		
Utility Plant in Service, End of Year	31,467,178	31,879,821
Working Cash, Ratemaking Year Basis	547,797	535,058
TOTAL ADDITIONS TO RATE BASE	<u>32,014,975</u>	<u>32,414,879</u>
LESS DEDUCTIONS FROM RATE BASE:		
Reserve for Depreciation	13,480,085	14,200,895
Advances for Construction	5,879,432	5,658,487
Contributions in Aid of Construction	2,561,385	2,427,642
Pension Reserve	0	0
Accumulated Deferred Federal Income Taxes, Deprn. Timing Diff.	1,255,894	1,303,535
Accumulated State Def Taxes, Taxable Advances for Construction	-217,869	-210,202
Accumulated Federal Def Taxes, Taxable Advances for Construction	-747,007	-703,955
Unamortized Investment Tax Credits	101,631	89,753
TOTAL DEDUCTIONS FROM RATE BASE	<u>22,313,551</u>	<u>22,766,156</u>
NET RATE BASE	<u>9,701,424</u>	<u>9,648,723</u>

APPENDIX D
 Page 3 of 4

GREAT OAKS WATER COMPANY

Adopted Income Taxes at Present Rates, Dollars

	2006-2007	2007-2008
STATE INCOME TAXES		
Water Service Revenues, Excludes Surcharges	10,552,458	10,579,432
Other Water Revenues	5,596	5,596
Total Taxable Revenues, State	10,558,054	10,585,028
<u>Deductions, State</u>		
Operating Expenses, Excludes Surcharges	9,250,263	9,343,138
Tax Depreciation And Net Salvage Deduction, State	862,630	870,066
Taxes Other than Income	261,501	261,237
Interest Expense	278,062	276,552
Subtotal, Deductions, State	10,652,457	10,750,993
Taxable Income, CCFT	-94,403	-165,964
CCFT Rate	8.84%	8.84%
Current California Corporation Franchise Tax	0	0
FEDERAL INCOME TAXES		
Taxable Income, CCFT	-94,403	-165,964
Plus Tax Depreciation And Net Salvage Deduction, State	862,630	870,066
Less Tax Depreciation And Net Salvage Deduction, Federal	818,680	809,356
Less Prior Year Current CCFT	9,178	0
Taxable Income, Federal	-59,630	-105,255
First	\$50,000	0
Balance	0	0
Next	\$25,000	0
Balance	0	0
Next	\$25,000	0
Balance	0	0
Next	\$235,000	0
Bal Over	\$335,000	0
Federal Income Tax Rate		
First	\$50,000	15.00%
Next	\$25,000	25.00%
Next	\$25,000	34.00%
Next	\$235,000	39.00%
Bal Over	\$335,000	34.00%
Current Federal Income Taxes	0	0
Amortization Of Investment Tax Credits	0	0
Plus Deferred Tax Expense, Depreciation Timing Differences	51,039	42,303
Total Federal Income Tax Expense	51,039	42,303
Current California Corporation Franchise Tax	0	0
Total Income Tax Expense	51,039	42,303

APPENDIX D
 Page 4 of 4

GREAT OAKS WATER COMPANY

Adopted Income Taxes at Proposed Rates, Dollars

	2006-2007	2007-2008
STATE INCOME TAXES		
Water Service Revenues, Excludes Surcharges	11,623,223	11,725,498
Other Water Revenues	5,596	5,596
Total Taxable Revenues, State	11,628,819	11,731,094
<u>Deductions, State</u>		
Operating Expenses, Excludes Surcharges	9,270,872	9,366,421
Tax Depreciation And Net Salvage Deduction, State	862,630	870,066
Taxes Other than Income	261,501	261,237
Interest Expense	278,062	276,552
Subtotal, Deductions, State	10,673,065	10,774,276
Taxable Income, CCFT	955,753	956,818
CCFT Rate	8.84%	8.84%
Current California Corporation Franchise Tax	84,489	84,583
FEDERAL INCOME TAXES		
Taxable Income, CCFT	955,753	956,818
Plus Tax Depreciation And Net Salvage Deduction, State	862,630	870,066
Less Tax Depreciation And Net Salvage Deduction, Federal	818,680	809,356
Less Prior Year Current CCFT	46,240	84,489
Taxable Income, Federal	953,465	933,039
Federal Income Tax Rate	34.00%	34.00%
Current Federal Income Taxes	324,178	317,233
Amortization Of Investment Tax Credits	0	0
Plus Deferred Tax Expense, Depreciation Timing Differences	51,039	42,303
Total Federal Income Tax Expense	375,217	359,536
Current California Corporation Franchise Tax	84,489	84,583
Total Income Tax Expense	459,706	444,119