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STATE OF CALIFORNIA

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PUBLIC UTILITIES COMMISSION

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SAN FRANCISCO, CA 94102-3298

A2407001

May 9, 2025

Agenda ID #23494
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 24-07-001:

This is the proposed decision of Administrative Law Judge Douglas Long. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's **6/12/2025** Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC: smt

Attachment

Decision PROPOSED DECISION OF ALJ LONG (Mailed 5/9/2025)

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 charged for water service by \$1,669,527 or 6.2% in 2025/2026, by \$2,108,473 or 7.41% in 2026/2027, and by \$2,428,384 or 7.94% in 2027/2028.

Application 24-07-001

**DECISION ON A TEST YEAR 2025/2026 GENERAL
RATE CASE FOR GREAT OAKS WATER COMPANY**

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**DECISION ON A TEST YEAR 2025/2026 GENERAL
RATE CASE FOR GREAT OAKS WATER COMPANY****Summary**

This decision adopts rates for Great Oaks Water Company (Great Oaks) for test year 2025-2026 and two subsequent years, 2026-2027, and 2027-2028. The two active parties were Great Oaks and the Public Advocates Office (Cal Advocates). After consideration of the record, we adopt a revenue requirement of \$26,163,591 for Test Year 2025-2026 to be effective July 1, 2025 and a revenue requirement for the two subsequent fiscal years 2026-2027 and 2027-2028 of \$28,186,262 and \$30,546,777 based on our standard practices and the results of litigating test Year 2025-2026. Appendix A, Tables A through H, show the adopted revenue requirement and rate base as well as the various expenses and other calculations necessary to fully implement this decision.

After reviewing the record, we adopt the following adjustments to Test Year 2025-2026 and the flowthrough in the two subsequent years:

1. We adopt \$3,480,114 for Test Year 2025-2026 salaries and wages based on the parties' joint escalation of annualized recorded data from 2023-2024.
2. Costs associated with the 2021 Interim Rates Memorandum Account, the Pension Expense Balancing Account, and the Supplier Diversity Program Expense Memorandum Account were previously resolved via Advice Letter 326-W and are utilized here.
3. We adopt Great Oaks' revised proposal of \$100,874 for the Credit Card Pilot Program and \$286,889 for total Customer Records and Collections expense.
4. We deny the proposed change in how Great Oaks presents its testimony and measures any change from present rates as unnecessary, as it would otherwise be a change to the rate case plan requirements applicable to Great Oaks' next general rate case (GRC) filing.

5. We adopt the stipulated capital budget and forecast costs not otherwise addressed.
6. We require Great Oaks to complete the acquisition of Capital Asset Management Software funded in the prior GRC and will subject these costs to a reasonableness review in the next GRC.
7. We authorize a new Battery Energy Storage System Memorandum Account capped at the upper estimate of \$1.5 million inclusive of grants and direct Great Oaks to continue to pursue possible state and federal grants to partially fund the program.
8. We adopt Great Oaks' customer forecasts and sales forecasts.
9. We adopt Great Oaks' forecast for the California Corporate Franchise Tax (CCFT) using the company's current test year methodology estimate for CCFT.
10. We adopt Great Oaks' Test Year forecast of \$14,518,543 for 2025-2026 ground water expenses and the related forecasts for the two subsequent years based on the company's forecast of water production for Zones W-2 and W-7.
11. We adopt Great Oaks' estimate of 417-kilowatt (kWh) hour per acre-foot (kWh/AF) for Test Year 2025-2026 which is estimated to cost \$1,367,331, and utilize this same kWh/AF to calculate purchased power costs for the two subsequent years.
12. We adopt \$130,000 for WaterSmart in Test Year 2025-2026.
13. We adopt Non-Tariff Products and Services (NTPS) revenue forecast of \$112,000 for Test Year 2025-2026 and, for this proceeding only, we waive the 70/30 split of revenues over \$100,000 for the first \$12,000 dollars of NTPS revenues over \$100,000, the amount forecast.

Table 1 Great Oaks Water Company Adopted Revenue Requirement, Rate Base, and Service Charge				
	Present Rates ¹	Test Year 2025-2026	Escalation Year 2026-2027	Escalation Year 2027-2028
Revenue Requirement	\$26,790,322	\$26,163,591	\$28,186,262	\$30,546,777
Annual Increase		\$(626,731)	\$2,022,671	\$2,360,565
Percentage Increase		-2.34%	7.73%	8.37%
Rate Base		\$18,668,466	\$19,503,852	\$20,339,239
Rate of Return ²		8.10%	8.10%	8.10%
Service Charge 5/8 Inch Meter	\$15.42 per month	\$20.68 per month ³	\$21.21 per month	\$22.00 per month

Great Oaks in compliance with the Commission's 2022 Environmental and Social Justice Action Plan.

This proceeding is closed.

1. Background

Great Oaks Water Company (Great Oaks) is a Class A water company serving more than 10,000 customers and is a public utility subject to the California Public Utilities Commission's (Commission) jurisdiction. Great Oaks filed this general rate case (GRC) pursuant to the Commission's authority under

¹ As of the filing of the update. These rates are still in effect until this decision is effective.

² The rate of return is adopted in a separate proceeding. It was not an issue in this proceeding.

³ The service charge increase is due to a rate design change despite the \$626,731 decrease in revenue requirement.

Section 454 of the Public Utilities (Pub. Util.) Code, Rule 3.2 of the Commission's Rules of Practice and Procedure (Rule(s)), and the water utility rate case plan adopted in Decision (D.) 07-05-062. Great Oaks seeks to recover its projected expenses including a reasonable rate of return on its invested capital. The applicant asserts that the requested increase in rates will also permit Great Oaks to make additional and necessary investments in existing and new plant, property, and equipment, and to maintain and improve upon the level of service it currently provides to its customers. Great Oaks requests annual increases in its authorized revenue requirement of \$1,669,527 or 6.2% in its test year 2025-2026,⁴ by \$2,108,473 or 7.41% in 2026-2027, and by \$2,428,384 or 7.94% in 2027-2028, its two subsequent years as provided for in the rate case plan.

Great Oaks is a California corporation with its principal place of business located at 20 Great Oaks Boulevard, Suite 120, San Jose, California 95119. The company was granted a Certificate of Public Convenience and Necessity (CPCN) in 1959 by Commission Decision 59173, and The Roeder family, in one form or another, has owned, operated, and managed the company since its inception. Great Oaks is currently owned by John Roeder and the John W.S. Roeder Continuing Trust, Pursuant to D.21-01-008.⁵ Thus, it is a closely held company.

1.1. Class A Water Utilities Generally

In California, water companies that serve more than 10,000 customers are considered Class A water utilities. Great Oaks is one of nine Class A water utilities regulated by the Commission. As of 2019, these nine companies served

⁴ Great Oaks is on a three-year cycle with rate changes based on a test year of July 1, 2025 through June 30, 2026. This is often referred to as a fiscal year rather than a calendar year.

⁵ See, Great Oaks' Opening Brief at 1-2, and Application at 3.

1,470,007 customers connections⁶ and Great Oaks was the smallest California Class A utility with only 21,687 connections. Thus, Great Oaks was only 4% of the size of California Water Service Company (Cal Water) that serves 527,407 connections in California. Although these nine companies are viewed as the large water companies, they are not homogeneous. Several are subsidiaries of even larger national utility companies, (1) Cal Water;⁷ (2) Golden State Water Company;⁸ (3) San Jose Water;⁹ and (4) California-American Water Company (Cal-Am),¹⁰ are all parts of larger national companies. The nine Class A water utilities are regulated as stand-alone entities, independent of their parent and affiliates. Specific rules help ensure this stand-alone treatment,¹¹ and independence of other utility functions.¹² The Commission sets broad policies for the water industry and applies them to the specific needs and circumstances of the California customers served by the California jurisdictional utility in their separate, independent rate proceedings. Each rate proceeding is decided on the

⁶ <https://www.cpuc.ca.gov/about-cpuc/divisions/water-division> as of September 11, 2024.

⁷ Cal Water is the largest subsidiary of the California Water Service Group, which also includes Washington Water Service, New Mexico Water Service, Texas Water Service, and Hawaii Water Service. (<https://www.calwater.com/about/company-information/> as of September 11, 2024.)

⁸ American States Water Company is the parent of Golden State Water Company, Bear Valley Electric Service, Inc. and American States Utility Services, Inc., serving over one million people in nine states. (<https://www.gswater.com/who-we-are> as of September 11, 2024.)

⁹ <https://www.sjwater.com/our-company> (as of December 18, 2024.)

¹⁰ American Water [parent company of Cal-Am] is the largest regulated water and wastewater utility company in the United States. With a history dating back to 1886, ... by providing safe, clean, reliable and affordable drinking water and wastewater services to more than 14 million people with regulated operations in 14 states and on 18 military installations. (<https://ir.amwater.com/ir-home/default.aspx> as of September 11, 2024.)

¹¹ See, D.10-10-019, dated October 14, 2010, as modified by D.11-10-034 dated October 20, 2011.

¹² In particular, we ensure that the customers of the California jurisdictional utility do not cross-subsidize the operations of other affiliated companies owned by the same parent company.

evidence in the record established for that specific proceeding in light of the regulatory policies we set and as required by the Pub. Util. Code.

Given the size disparity with the larger Class A Companies the Commission tailors its regulation to the needs and capabilities of each company.

1.2. Procedural Background

Great Oaks seeks to recover its projected expenses including a reasonable rate of return on its invested capital. The applicant asserts that the requested increase in rates will also permit Great Oaks to make the necessary additional investments in existing and new plant, property, and equipment, and to maintain and improve upon the level of service it currently provides to its customers.

On August 8, 2024 the Public Advocates Office¹³ (Cal Advocates) timely filed a protest. A prehearing conference (PHC) was held on August 16, 2024 to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The assigned Administrative Law Judge (ALJ) issued a ruling on July 25, 2024 requiring Great Oaks to meet and confer with the Commission's advisory Water Division to validate the functionality of the company's proposed ratemaking worksheets and models. Great Oaks subsequently satisfied that requirement. The assigned Commissioner issued a scoping memo on September 16, 2024.

Public Participation hearings were remotely conducted on August 16, 2024. Intervenor testimony was served on November 12, 2024 and rebuttal on November 26, 2024. Parties waived evidentiary hearings at the status

¹³ Cal Advocates is the Public Advocates Office as defined by SB 854 (Chapter 51, Statutes of 2018). Many documents have the full name Public Advocates Office in their titles, but it generally uses "Cal Advocates" in the text of the documents it filed and served in this proceeding. We use Cal Advocates throughout this decision.

conference on December 12, 2024. Opening Briefs were filed on all disputed matters January 6, 2025, and Reply Briefs on January 24, 2025. Great Oaks and Cal Advocates also filed a proposed settlement agreement on four issues on January 24, 2026.

1.3. Submission Date

This matter was submitted on January 24, 2025 upon filing of Reply Briefs and the proposed Settlement Agreement. Administratively, all exhibits were identified and received into evidence by a ruling on March 10, 2025.

2. Issues Before the Commission

The issues identified in the assigned commissioner's scoping memo addressed or otherwise considered herein are:

1. The adoption of just and reasonable rates that will permit Great Oaks to provide safe and reliable service and provide an opportunity for it to earn a reasonable return on investment.
2. Whether Great Oaks adequately justified the requested increases and other reliefs it seeks in its application such that the Commission should authorize it to increase its rates and grant the requested relief it seeks as set forth in the application;
3. Whether Great Oaks estimated revenue, expenses, plant, and rate base for Test Year 2025-26 (and escalation years 2026-2027 and 2027-2028) are just and reasonable;
4. Whether Great Oaks' results of operations model and all other calculation methods are both reliable and just and reasonable, including but not limited to escalation rates, contingencies, depreciation, pension and benefits accruals, projected tax expenses, tax deferrals, and treatment of any excess deferred tax reserves, etc.;
5. Whether Great Oaks' estimates for operating expenses, capital additions, and its operations are reliable and just and reasonable;

6. Whether to grant, modify, or deny Great Oaks' other specific requests, or issues of controversy, including:
7. Water Sales Forecast;
8. Service Charges and Tiered Quantity Rates;
9. Specific Proposed Capital Projects;
10. Supplier Diversity Program pursuant to General Order 156, with authorization to establish a Supplier Diversity Program Expense (SDPE) Memorandum Account;
11. Authority to terminate the Defined Benefit Pension Plan, and to establish a Defined Contribution Plan or 401(k) Retirement Plan;
12. Whether Great Oaks' water quality meets all applicable state and federal drinking water standards and other provisions of General Order 103 and whether Great Oaks complies with all Commission Rules, Decisions, and statutes;
13. Evaluate the adequacy of Great Oaks' customer service;
14. Evaluate the adequacy of Great Oaks' Low Income Household Water Assistance Program'
15. Whether there are any safety concerns, and finally
16. Does the proposed rate increase impact any Environmental and Social Justice (ESJ) communities or otherwise affect any of the nine goals of the Commission's ESJ Action Plan?

We find that the above list of issues is inclusive of the issues enumerated by Cal Advocates in its protest and as discussed by parties at the PHC.

3. Legal Principles

In reviewing the above issues to adopt a just and reasonable revenue requirement, the Commission considers and applies its prior decisions and considers long-established general practices as appropriate to the facts and circumstances presented in this proceeding. Below is an overview of the applicable legal principles.

3.1. Just and Reasonable Rates

Pub. Util. Code Section 451 provides that “all charges demanded or received by any public utility ... shall be just and reasonable.” Pub. Util. Code Section 454(a) requires that “... a public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.”¹⁴

3.2. Prudent Manager Standard

When the necessity of Great Oaks’s actions is called into question, the Commission may in some circumstances apply the prudent manager standard. Under the prudent manager standard, the Commission does not evaluate reasonableness based on hindsight but based on what the utility knew or should have known at the time it made its decision.¹⁵ This standard reaches not just the activities and associated costs for which Great Oaks seeks recovery here but extends to the actions or inactions that resulted in those activities being necessary.¹⁶

3.3. Burden of Proof

It is well-established that an applicant, such as Great Oaks, must carry the burden of proving that it is entitled to the relief it is seeking. Thus, Great Oaks initially has the burden of affirmatively establishing the reasonableness of its

¹⁴ https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PUC&division=1.&title=&part=1.&chapter=3.&article=1. (As of March 13, 2025.)

¹⁵ D.22-06-032, Decision Addressing Southern California Edison Company’s Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances (June 23, 2022) at 18.

¹⁶ D.18-07-025, Order Denying Rehearing of D.17-11-033 (July 12, 2018) at p. 3, 5, 6 (citing to D.87-06-021); D.21-11-036, Order Modifying Decision 19-09- 025 and Denying Rehearing of Decision 19-09-025, as Modified (November 19, 2021) at 15.

position on each individual issue in its application.¹⁷ Although the utility bears the ultimate burden to prove the reasonableness of the relief it seeks and the costs it seeks to recover, the Commission has held that when other parties propose a different result, they too have a “burden of going forward” to produce evidence to support their position and overcome the utility’s evidence.¹⁸

3.4. Standard of Proof

The standard of proof for all parties in rate cases is preponderance of the evidence.¹⁹ Preponderance of the evidence usually is defined “in terms of probability of truth, e.g., ‘such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.’”²⁰ For example, to meet its burden, a GRC applicant must produce a preponderance of evidence, when weighed against the evidence of those in opposition, that the

¹⁷ D.21-08-036, Decision on Test Year 2021 GRC for Southern California Edison Company (August 19, 2021) at 9, citing to D.09-03-025, Alternate Decision of President Peevey on Test Year 2009 GRC for Southern California Edison Company (March 13, 2009) at 8; D.06-05-016, Opinion on Southern California Edison Company’s Test Year 2006 General Rate Increase Request (May 11, 2006) at 7.

¹⁸ D.21-08-036, Decision on Test Year 2021 General Rate Case for Southern California Edison Company (August 19, 2021) at 10; D.20-07-038 at 3-4; D.87-12-067 at 25-26, 1987 Cal. PUC LEXIS 424, *37.

¹⁹ See: California Evidence Code Section 115: ““Burden of proof” means the obligation of a party to establish by evidence a requisite degree of belief concerning a fact in the mind of the trier of fact or the court. The burden of proof may require a party to raise a reasonable doubt concerning the existence or nonexistence of a fact or that he establish the existence or nonexistence of a fact by a preponderance of the evidence, by clear and convincing proof, or by proof beyond a reasonable doubt.

Except as otherwise provided by law, the burden of proof requires proof by a preponderance of the evidence.” (*Enacted by Stats. 1965, Ch. 299.*)”
(https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=EVID&division=2.&title=&part=&chapter=&article= as of January 15, 2025.

²⁰ D.08-12-058, Decision Granting a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project (December 18, 2008) at 19, citing to Witkin, Calif. Evidence, 4th Edition, Vol. 1 at 184.

forecasted costs are just, reasonable and necessary. For the opponents, the same is true, their evidence must outweigh that of the applicant on the issues they dispute.

3.5. Settlement Agreement Review Standard

As part of this proceeding, a four-item proposed Settlement Agreement was presented to be approved by the Commission under Rule 12.1. A settlement may only be approved under Rule 12.1, if the Commission finds it to be reasonable in light of the whole record, consistent with the law, and in the public interest. Here, Great Oaks and Cal Advocates, jointly moved for approval and adoption of their proposed Settlement Agreement, and they must demonstrate that the proposed settlement meets the requirements of Rule 12.1. Settlements need not be joined by all parties to the proceeding.²¹ Only upon meeting those requirements is a settlement agreement eligible for adoption by the Commission.²²

Under the settlement rules we should, if we find significant flaws, propose modifications to the settlement or reject it. As discussed below we find the Settlement to be problematic. We take to heart the admonition in *Hanlon v. Chrysler Corp.*²³ but here we find the proposed settlement is generally unnecessary and that it would modify the rules and general practices applicable

²¹ Rule 12.1(a).

²² D.12-10-019, Order Denying Rehearing of D.08-08-030 (October 11, 2012) at 14-15; D.09-11-008, Decision Denying Motion to Adopt Contested Settlement and Dismissing Application (November 20, 2009) at 6. In this proceeding there is no other party.

²³ 150 F.3d 1011(9th Cir. 1998), United States Court of Appeals for the Ninth Circuit. "Settlement is the offspring of compromise; the question we address is not whether the final product could be prettier, smarter or snazzier, but whether it is fair, adequate and free from collusion."

for Great Oaks to file its next GRC. We therefore reject the settlement and resolve all four items individually based on the testimony as filed and our review of the proposed settlement.

The language in Hanlon warns us not to fiddle to our own tastes but to focus on fairness and adequacy, that there is no collusion issue here to act illegally. We find the proposed settlement is not fair or adequate.

As discussed below we reject the agreement's terms on "calculating rate increases at present rates" and instead clarify our expectations that parties are sensible and precise about the actual nature of the proposed changes to rates or revenue requirement so that customers are clearly informed of how and when rates are actually changed. We find the other terms to be very minor: the parties agree on salaries with only a \$4,469 difference in their positions. Another issue ceased to exist when several balancing accounts were resolved by an advice letter which was pending during the proceeding. The third issue was eliminated after Great Oaks updated its cost estimates for Customer Records and Collections expense. None of these latter three issues warrant consideration under the settlement rules.

4. Settlement Agreement Between Great Oaks and Cal Advocates

4.1. Revenue Requirement Impact

Great Oaks and Cal Advocates proposed to settle four specific issues in the proposed settlement agreement filed on January 24, 2025. Only one item, salaries, impacted revenue requirements by \$4,469. This is the only item that affects the rates set by this decision. We acknowledge the other two items, memorandum and balancing accounts, and customer records and collections expenses as already resolved by the Commission or stipulated between the parties. As discussed below we find the issue on calculating rate increases "at

present rates” to be technically wrong and unnecessary. We provide appropriate guidance to both Great Oaks and Cal Advocates herein.

4.2. Settled Issues

Great Oaks and Cal Advocates settled four specific issues:

1. Salaries and Wages,
2. Memorandum and Balancing Accounts,
3. Customer Records and Collections expense, and
4. Calculating rate increases at present rates.

4.2.1. Salaries and Wages (Settled)

Great Oaks proposed \$3,484,763²⁴ for the Test Year based on escalation of its internally adopted annual salaries for 2024-2025, i.e., based on what it already planned on spending. Cal Advocates proposed \$3,001,399 based on its escalation of recorded data for 2023-2024. According to the Settlement Agreement the two agreed to \$3,480,114 for the Test Year 2025-2026 based on their joint escalation of annualized recorded data from 2023-2024.²⁵ This is an adjustment of \$4,469. We accept this component of the settlement without further analysis. It need not have been in a settlement: the parties could have simply stipulated to this amount as was done with many other forecast items.

4.2.2. Memorandum and Balancing Accounts (Advice Letter)

Great Oaks proposed that the 2021 Interim Rates Memorandum Account (2021 IRMA), the Pension Expense Balancing Account (PEBA), and the Supplier Diversity Program Expense Memorandum Account (SDPEMA) be addressed via

²⁴ A portion of these costs are capitalized. The expense portion for Test Year 2025-2026 is \$3,031,583, with the difference of \$453,180 capitalized and recovered over time through depreciation.

²⁵ Settlement Agreement at 5 in the Summary Table.

Advice Letter 326-W which was pending when the application was filed. The advice letter was approved while this proceeding was pending. Cal Advocates had proposed addressing these items here but now concedes the accounts are resolved.²⁶ This item need not have been in a settlement.

4.2.3. Customer Records and Collections Expense (Stipulation)

Great Oaks originally proposed \$78,754 in expense for the Credit Card Pilot Program and \$252,068 for total Customer Records and Collections expense. Great Oaks revised its proposal to \$100,874 for the Credit Card Pilot Program and \$286,889 for total expense. In its testimony Cal Advocates proposed \$90,575 for the Credit Card Pilot Program and \$276,590 for total Customer Records and Collections expense. After the update required by the rate case plan the two agreed to adopt Great Oaks' revised proposal of \$100,874 for the Credit Card Pilot Program and \$286,889 for total Customer Records and Collections expense. The parties could have simply stipulated to these amounts and they need not have been in a settlement.

4.2.4. Calculating Rate Increases at Present Rates (Methodological Dispute)

Cal Advocates and Great Oaks have a dispute about the presentation of, and meaning of, "present rates"²⁷ and then the subsequent comparison between

²⁶ <https://apps.cpuc.ca.gov/apex/f?p=505:1:.....> (As of February 14, 2025.) Advice Letter 326-W was approved December 31, 2024 and was effective January 1, 2025. See also the Settlement Agreement at 5 in the Settlement Summary.

²⁷ In ratemaking jargon, a rate that is "in effect," "effective," "current," or "present," means that at the moment of utterance that rate is lawful, and the customer will be charged at that rate. So whenever comparing rates over time the party making rate comparisons must be careful and explicit about time.

“present rates” and “proposed rates.” Cal Advocates appears to be searching for a problem that does not exist.

Utility rates change whenever the Commission authorizes a change in a formal decision or by a resolution’s approval of an advice letter. For example, this proceeding will have a decision authorizing a new revenue requirement and new rates effective July 1, 2025. There is a second step in this process where Great Oaks files a Tier 1 compliance advice letter as provided by General Order 96-B.²⁸ Great Oaks’ rates may also change by a Tier 2 or 3 Advice Letter pursuant to a prior Commission direction. So, there are rates that are in effect at any moment that remain effective until changed. Rates can change independently of a specific pending proceeding so that the “present rates” effective on July 1, 2024 when Great Oaks filed this application could and likely will have changed one or more times before a decision is adopted to be effective July 1, 2025 authorizing new rates for the new test year. One example already noted is that Advice Letter 326-W was approved while this proceeding has been pending. In fact, Advice Letters 324-W, 325-W, and 327-W were also filed and became effective after Great Oaks filed this application.²⁹

Cal Advocates makes an unpersuasive argument that Great Oaks somehow applied the forecast methodology “in the reverse order.”³⁰ We reject this determination and find that Great Oaks correctly followed the rate case plan guidelines.

²⁸ <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=502938128> (As of February 14, 2025.) GO-96-B is the detailed source. This discussion is of a limited scope.

²⁹ [https://apps.cpuc.ca.gov/apex/f?p=505:1:::~:](https://apps.cpuc.ca.gov/apex/f?p=505:1:::) (As of February 14, 2025.)

³⁰ See Cal Advocates Opening Brief at 4-6 and in its Reply Brief at 5 describing the Great Oaks method as “backwards.”

Another unfounded assertion is that Great Oaks forecast was “not based on “present rates.”³¹ This is wrong. Great Oaks clearly showed what rates were in effect at different times as authorized changes were made during this proceeding. Cal Advocates is overly focused with comparisons being shown on a prior test year to a current test year basis. But rates change from what is last in effect at any given point compared to the newly authorized rates. When a GRC is filed there are likely rate changes between the known and available rates when the application is prepared and filed and when a new test year is adopted. Indeed, rates change subsequent to the prior rate case due to the attrition adjustments and other orders by the Commission that may change rates. A general rate case is intended to adopt new rates based upon a new test year forecast. Current rates while the GRC is pending is only one very small aspect of the entire development of a reasonable test year forecast.

We find the whole argument raised by Cal Advocates to be misguided and unnecessary and therefore not reasonable. We see no credible evidence that Great Oaks at any time attempted to mislead or misrepresent its requested rate relief to either the Commission or its customers.³² Great Oaks must always file its applications and present its data in a manner consistent with the Commission’s general guidelines and the water industry rate case plan. The

³¹ See Cal Advocates Opening Brief at 8-9.

³² Great Oaks argues in its Opening Brief at 13 – 14: “Great Oaks reiterates that it already does provide its proposed revenues based on the rates currently in effect at the time Great Oaks submits its general rate case applications and at the time of the 45- day update. However, Great Oaks has agreed to add a tab to its GRC workpapers that shows the proposed revenues in comparison to the rates in effect at the time the application is filed, and will include the “present rate” numbers in its application. It is important to note, however, that the addition of the present rates tab and corresponding dollar amounts does not affect Great Oaks’ RO model or methodologies.”

presentation of that information is not an issue open to negotiation or settlement by the parties. If Cal Advocates believes a utility's presentation is misleading, or worse, deliberately wrong, it needs to clearly and promptly raise that issue in its protest or by a specific motion seeking relief during the proceeding. If rates change during a rate case because the Commission approves recovery of balances in memorandum or balancing accounts, that recovery does not impact the reasonable forecast of the test year's costs.

We require Great Oaks to follow the Commission's directives in the rate case plan. When it files for an increase in rates in an application, or an appropriate advice letter, it should state what rates it is currently authorized to charge as of the date it submits the filing (and the related authorized revenue requirement) and how it proposes to increase or decrease those rates and that revenue requirement.

We expect Cal Advocates and any other intervenor to explain any recommendation as a change from the rate (and revenue requirement) authorized and in effect at the time it makes the recommendation. Thus if rates have independently changed due to another proceeding between the filing of a pending case and the service of testimony, filing briefs, or filing proposed settlements, the correct presentation of "calculating rate increases - or decreases at present rates" means the Commission authorized rates (and revenue requirement) in effect when the statement is made in testimony, briefs, settlements or any other document that is served or filed before this Commission.

5. The Meaning of Adopting a Test Year Forecast

5.1. Capital Projects

The Commission requires in a general rate case that the applicant sponsors and justifies a detailed specific forecast of projects that the utility asserts are

necessary for continued safe and reliable service. Great Oaks was expected to present its best expert opinion of the necessary projects to be pursued and the estimated cost of those projects. Cal Advocates was expected and allowed to fully investigate via discovery and then challenge that forecast and methodology with its own expert testimony.

Actual events can cause a utility to determine that of the many projects it planned to pursue during the test year and attrition years some other more urgent needs may arise. The company has an obligation to provide safe and reliable service, which means it must timely use its expert judgement to adapt its actions and not blindly adhere to an adopted forecast. The Commission authorizes rate recovery of the utility's budgeted amount and expects it to be used in the most responsible way.³³ If any project included in the forecast for the test year is deferred the utility must justify that project again in the subsequent general rate case if it believes that the deferred project is still necessary. That subsequent justification can be disputed by intervenors in the next proceeding. Intervenors may also challenge the reasonableness of the substituted project.

In this proceeding Cal Advocates has accepted all Great Oaks' forecast capital projects except for the proposed Battery Energy Storage System discussed in the proposed memorandum account section, below. As discussed below we approve the memorandum account and therefore this decision adopts Great Oaks' entire capital budget.

5.2. Capital Asset Management Plan

Cal Advocates raised a concern that in its opinion Great Oaks did not comply with the prior 2018 GRC decision to implement a Capital Asset

³³ See our discussion of the deferred capital asset management software in § 5.2.

Management Plan. That decision, D. 19-09-010, adopted a settlement for the GRC. While that settlement is not precedential or binding on subsequent proceedings Great Oaks had a compliance obligation during the life of that GRC's decision. We therefore review and address Great Oaks's compliance below. The decision referenced this asset management plan six times:³⁴

Included in the amount for the Test Year is a purchase recommended by Cal Advocates. Cal Advocates recommended that Great Oaks provide a comprehensive asset management plan with its next rate case application to facilitate review by both Cal Advocates and the Commission, ... This proposed software purchase was then added to Great Oaks' initial projection for Account 372; it represents the largest such investment in the Test Year at \$543,842. (D.19-09-010 at 12.)

Cal Advocates in its current testimony argues that Great Oaks did not acquire and implement the software to produce the reports that it expected to see in this proceeding.

The Rate Case Plan requires that utilities submit a long-term, 6–10 year Water Supply and Facilities Master Plan to identify and address aging infrastructure needs; the plan should be consistent with the recommendations and elements of comprehensive asset management identified in the U.S. General Accounting Office's March 2004 Report, GAO 04-461.261 (GAO Report).³⁵ Great Oaks asserts that it maintains detailed information regarding its assets in its fixed asset database, its Geographic Information System (GIS), and its SCADA

³⁴ See D.19-09-010 at 3, 7, 12, and 22.

³⁵ [GAO-04-461 Water Infrastructure: Comprehensive Asset Management Has Potential to Help Utilities Better Identify Needs and Plan Future Investments](#) (Current as of February 14, 2025.) Cited in Great Oaks' Opening Brief at 52, fn 261.

system.³⁶ Great Oaks states that it uses this detailed information, along with the asset management principles and procedures set forth in its SP 2024 Infrastructure and Facilities Master Plan, to support Great Oaks' continuous, hands-on asset management practices. Great Oaks' testimony³⁷ states that management reviews and discusses the performance of critical assets through analysis of data collected from the SCADA system. Great Oaks believes it is critical to note that there are no maintenance, management, compliance, or safety violations alleged regarding Great Oaks' assets.³⁸

Great Oaks asserts that the GAO Report identifies four foundational elements of comprehensive asset management:³⁹

- (1) linking strategy for addressing infrastructure needs (service goals, operating budget, capital improvement plan);
- (2) collecting and organizing information on assets (description, condition, value);
- (3) analyzing data to set priorities and make decisions about assets (life-cycle cost, risk assessment); and
- (4) integrating data and decision making across the organization (compatible data, unique identifiers, consistent organization)

Great Oaks argues that GAO Report assumes that utilities will develop internal asset management plans or other procedures to implement the best

³⁶ SCADA (an acronym for supervisory control and data acquisition) is a control system architecture comprising computers, networked data communications and graphical user interfaces for high-level supervision of machines and processes.

³⁷ See Ex. GOWC-4 and GOWC-8.

³⁸ Great Oaks Opening Brief at 51.

³⁹ Great Oaks cites to GAO Report 04-461, at 18, Figure 1: Elements of Comprehensive Asset Management, at fn 262 in its Opening Brief at 53.

practices identified in the report, but crucially it does not mandate a separate report for external stakeholders as Great Oaks believes is proposed and expected by Cal Advocates. Great Oaks asserts that its SP 2024 Plan meets the internal best-practice and asset management planning principles set forth in the GAO Report.

Cal Advocates asserts the opposite. It believes that as provided Great Oaks' SP2024 Plan is inadequate and does not comport with undertakings in the prior proceeding, as adopted in D.19-09-010, to establish a new and comprehensive reporting system. This was a component of a settlement agreement between Great Oaks and Cal Advocates which was adopted in D.19-09-010.⁴⁰ Cal Advocates does not believe that Great Oaks' current reporting comports with Cal Advocates' expectations from the last GRC's settlement.

Cal Advocates appears to envision more of a ratesetting "Domesday Book" in the form of a single comprehensive volume cataloguing all assets, their history, cost, depreciation, current condition, and maintenance status. Cal Advocates' testimony and brief list a variety of items deemed as missing or inadequate in Great Oaks' testimony generally and in SP 2024 Plan, in particular. Cal Advocates argues that Great Oaks did not meet its burden of proof⁴¹ and did not produce the report envisioned by Cal Advocates.

Great Oaks is not a large company when compared to the biggest of its Class A peers. We must be proportionate in our expectations. We find that Great Oaks did provide sufficient relevant data that fully accounted for its

⁴⁰ Cal Advocates cites to D.19-09-010 at 12.

⁴¹ Cal Advocates Opening Brief at 23.

existing assets, its proposed operations and maintenance of that system and its proposals and justifications for the test year.

We will nevertheless direct Great Oaks to continue to improve its reporting on the status and conditions of its assets in the next GRC. It should not rely on the status quo of its current presentation here as being presumptively sufficient going forward. Cal Advocates has expressed its perceived deficiencies in Great Oaks' reporting and therefore we expect Great Oaks to incorporate into its next GRC a through response addressing Cal Advocates' perceived deficiencies in this proceeding. We note that Cal Advocates was able to review all of Great Oaks' capital requests and accepted all the forecast projects except for the Battery Energy Storage System discussed below. We find that the record in this proceeding is sufficient for us to fairly adjudicate all issues surrounding the capital assets and Great Oaks' management of those assets in this proceeding.

Great Oaks did however receive funding for new software in the prior GRC and admits that it has not yet selected a vendor or installed an updated system.⁴² Great Oaks did not make any argument that it had otherwise reallocated the funding to unanticipated and critically urgent projects which would have necessitated a reasonable deferral. Great Oaks makes no request to reauthorize funding due to any justifiable deferral. Accordingly, we expect Great Oaks to complete its vendor selection and install the previously funded system in time for its usage in the next GRC. Cal Advocates proposed a Tier 1 Advice Letter within 6 months of this decision in testimony and briefs for the approval of this software. We see no need for such a filing. Great Oaks must promptly "catch-up" on its commitment in the prior proceeding to install the

⁴² Cal Advocates testimony Ex. XX at 46, fn. 137 citing to Great Oaks' response to data request DG-014 Q. 4.

already funded software. The reasonableness of Great Oaks' actions and the usefulness of the software is properly an issue for the next GRC.

5.3. Balancing Accounts and Memorandum Accounts

The basic underlying system of ratemaking in California has been, and remains, a forward test year of the expected cost and scope of a utility's operations. That is, the utility's rates are set prospectively in a general rate case (GRC) based upon a forecast of sales and operating costs, plus taxes, interest, and an expected return for the investors based on the investment in long-lived assets that serve the customers. Rates are set to give the company a reasonable opportunity to earn a fair return, but not a guarantee of a specific profit during the actual test year. Balancing Accounts were created to reduce the risks to ratepayers as well as investors where some costs are too uncertain to forecast accurately in a GRC. Refundable rates are set for the program based upon the best available forecast. The courts have accepted that when the Commission approves the scope of a program in advance, and when there is a subsequent review of the reasonableness of the utility's decision-making and management of the program, then forecast costs can subsequently be "trued up" to actual and any revenue shortfall or overcollection is recoverable by the utility or refundable to ratepayers. Imprudent expenditures may be excluded from recovery. The preapproval of the scope of the balancing account averts a finding of retroactive ratemaking, i.e., it becomes an exception to the test year forecast requirement. For a gas utility, for example, the costs of natural gas are highly competitive and difficult to forecast and so a balancing account reduces the risk of overcharging ratepayers if the forecast for the test year proves later to be too high and protects the shareholders if the forecast is too low.

Memorandum Accounts are much more uncertain: for an activity that has not yet been found to be reasonable and necessary, and where the costs are very uncertain, a utility may be given authority to track those costs and apply to recover the costs later after the utility demonstrates the reasonableness of its actions and the benefit of the activity to the ratepayers. Before the use of memorandum accounts, utilities were generally at risk of absorbing activities unforeseen in between general rate cases and the company would only be able to recover forecast costs in its next test year.

Great Oaks has 23 separate balancing accounts and memorandum accounts. We discuss them in this decision only as necessary to set test year rates and recover or refund outstanding balances. Three accounts, the 2021 Interim Rates Memorandum Account, the Pension Expense Balancing Account, and the Supplier Diversity Program Expense Memorandum Account have been addressed via Advice Letter 326-W which was pending when the application was filed, and these accounts are and are therefore no longer at issue.

5.3.1. Battery Energy Storage System Memorandum Account

This is one disputed item. Great Oaks proposed to establish a new Battery Energy Storage System Memorandum Account. Its estimated cost is \$635,000 to \$1.5 million to purchase and install a battery storage system. Great Oaks states that possible government grants could offset 50-75% of the project cost.

Cal Advocates opposes establishing the memorandum account and argues that it violates the Water Division's Standard Practice U-27-W (SP U-27-W).⁴³ Industry standard practices are guidelines for general ratemaking activities and

⁴³ See Cal Advocates Opening Brief at 16-17 and the text of SP U-27-W which is at: [SP U-27-W - STANDARD PRACTICE OF PROCESSING RATE OFFSETS AND ESTABLISHING AND AMORTIZING MEMORANDUM ACCOUNTS](#) (As of February 14, 2025.)

are intended to provide uniformity and consistency. Cal Advocates' entire argument addresses whether the account could be or should be created under the terms of SP U-27-W. Cal Advocates argues the battery proposal fails the tests set by the standard practice. Cal Advocates makes no argument on the merit of the project in its Opening Brief. But SP U-27-W only addresses the creation of memorandum accounts by Tier 2 Advice Letters.⁴⁴ Cal Advocates crucially ignores this portion of the standard practice:

Many memorandum accounts, such as Security Costs Memorandum Accounts, are more properly established in a general rate proceeding, where the costs can be estimated with precision. See D.03-10-070, October 30, 2003. Some memorandum accounts, by Commission ruling, can only be established in a formal proceeding, i.e. Water Quality Memorandum Accounts, (D.94-06-033, June 22, 1994, O.P. 3)⁴⁵ (Emphasis added.)

Great Oaks appropriately asks to establish this account in this GRC. So, we must consider whether Great Oaks has met its burden of proof.

Cal Advocates makes one more very conflicted argument: that Great Oaks "can seek cost recovery of prudently incurred costs in a future GRC, where it can demonstrate tangible benefits [from the Battery] to ratepayers." But Great Oaks would have to undertake this without Commission review or some form of preapproval to record its costs in a memorandum account for a very large capital construction project (\$635,000 to \$1.5 million). The purpose of a GRC includes examining such proposed projects and either approving or denying their construction. Great Oaks has told us about the project, it has asked for

⁴⁴ See Para. 43 " Memo accounts may be established by filing a Tier 2 Advice Letter.³³ They become effective upon staff approval or on regular statutory notice unless suspended or rejected.."

⁴⁵ See Footnote 33 to SP U-27-W.) (As of February 14, 2025.)

permission for a memorandum account, and we should timely respond to that request.

This project is the only disputed capital project.⁴⁶

Great Oaks wants to install battery energy storage system(s) (BESS) at well sites that have heavy pumping equipment running “24/7.” Great Oaks argues this would enhance Great Oaks’ grid flexibility and improve the resilience of its power supply system against the threats posed by extreme weather events. Therefore, Great Oaks engaged Generac, a national energy company, to provide an assessment of Great Oaks’ options. Generac identified two well sites that it assessed as ideal candidates to receive government grant funding: Great Oaks believes that the California Energy Commission’s Distributed Electricity Backup Assets (DEBA) incentive program offers incentives over a five-year period of approximately 25% of the total BESS construction costs for projects that serve as on-call emergency supply or load reduction for the state’s grid during extreme weather events. Funding is also potentially available from the U.S. Department of Energy Grid Resilience and Innovation Partnerships (GRIP) Program, which would increase the total available incentives to 50–75% of the capital costs of the projects over five years, with half the total incentives provided in the first year.

⁴⁶ Great Oaks Opening Brief at 46. “Great Oaks and Cal Advocates agree that all of Great Oaks’ proposed general plant additions are reasonable, except the battery energy storage system that Great Oaks hopes to add to certain well sites. Because Great Oaks has requested a memorandum account to track the battery storage project costs, rather than forecast expenses to be included in rates, Great Oaks and Cal Advocates both recommend the same general plant budgets of \$269,931 for the Test Year ...”

Great Oaks estimates that the total costs of the project will be between \$635,000 and \$1.5 million, including some level of grant funding.⁴⁷

Great Oaks offered these unrebutted benefits of the project:

First, as extreme weather events become more common, it is reasonably likely that the California Independent System Operator (CAISO) will continue to call for voluntary load reduction during extreme heatwaves, as it has in recent years. Great Oaks would not be able to reduce its electric use under its current system without reducing well pump activity or shutting it down entirely, which would reduce the water available for customer use and firefighting. Second, Great Oaks' current backup power system comprises eight diesel-powered generators. Continued reliance on diesel-powered generation is contrary to the state's decarbonization goals, and is unequivocally against state energy policy. Third, the BESS project will provide customer savings from the reduction in long-term reliance on backup diesel generators and because the system will be able to store energy during off-peak times and provide electricity during peak demand periods, which will reduce Great Oaks' electricity costs. (Great Oaks Opening Brief at 47.)

We find that Great Oaks has made a sufficiently detailed showing and justification to establish the proposed Battery Energy Storage System Memorandum Account. As noted in our discussion about memorandum accounts generally, authorizing a memorandum account is only permission to track costs for a project which may be beneficial. Great Oaks must still demonstrate the prudence of its actions when it seeks to recover any costs recorded in the memorandum account.

⁴⁷ Even with the current uncertainty surrounding any program recently offered or funded by the US Federal Government, it is prudent to not foreclose pursuit of any avenue of funding that may still exist even in this time of national crisis and peril.

6. Customer Forecast and Sales Forecast

6.1. Summary

We adopt Great Oaks' customer forecasts and sales forecasts. We find no significant difference and no need to modify the company's customer forecasts. We also find that Great Oaks met its burden of proof, and that Cal Advocates did not meet its burden of persuasion that Great Oaks unreasonably forecast its test year sales.

We will exclude the drought year 2022-2023 in the 5-year forecast of sales. We realize that droughts are a part of California's nature, but California also takes aggressive conservation actions which can affect the data we use for forecasts in a GRC. We stand by using the guidelines of the Revised Rate Case Plan (Plan) but we also must consider other factors too. It is therefore incumbent upon Cal Advocates as well as Great Oaks to consider all of our guidance when developing a forecast in this and in subsequent rate cases. We previously identified six factors in D.20-08-047 and that must be considered as well. We discuss this below.

6.2. Customer Forecast

Great Oaks and Cal Advocates have different positions on both the forecast of sales – how much water – and customer forecast – how many customers – for the test year and attrition years. For Test Year 2025-26 Great Oaks estimates 21,442 customers whereas Cal Advocates estimates 14 more, 21,256.⁴⁸ This is statistically insignificant and without further consideration we

⁴⁸ Great Oaks Opening Brief at 6-7, and 14-16. Cal Advocates quotes 21,443 and a 13-customer difference. (Cal Advocates Opening Brief at 4.)

would normally adopt 21,442.⁴⁹ We also adopt Great Oaks' forecasts for all other customer counts.

6.3. Sales Forecast

The sales forecast is important in forecasting some costs that are volumetrically dependent and as an allocation method, e.g., some costs are recovered based on the expected units, usually cubic feet, for water. It is also a complex exercise, and we have issued guidance in both the Plan and in D.20-08-047.

Great Oaks used a 5-year historical trend, but it excluded the drought-year 2022-2023. It argued that Cal Advocates ignored the mandated consumption reductions and the impact of excess usage surcharges which Great Oaks believes reduced consumption.⁵⁰ Cal Advocates makes a long argument about the right factors to use and its own stricter application of the Plan. Cal Advocates cites the Plan, D.07-05-062, and argues it results in a better forecast. Great Oaks forecasts a residential unit consumption forecast of 115.2 CCF whereas Cal Advocates forecasts 111.2 CCF.^{51,52} The effects are similar for other rate classes, but we will use the residential class to illustrate the issue.

The forecasting difference results primarily from Great Oaks excluding the drought year 2022-2023 and using an earlier recorded year 2018-2019 in a modified 5-year trend compared to Cal Advocates' seemingly stricter use of the Plan's methodology and its view of D.20-08-047. In D.20-08-047 the Commission

⁴⁹ The difference is 0.00075 (16/21442.) If the difference were measurably significant it could affect rates, but not in this instance.

⁵⁰ Great Oaks Opening Brief at 7.

⁵¹ Cal Advocates Opening Brief at 7.

⁵² A CCF is 100 Cubic Feet of Water, which is also 748 gallons.

reviewed the effectiveness of its 2010 Water Action Plan objective of achieving consistency between Class A Water Utilities' Low-Income Rate Assistance Programs, providing rate assistance to all low-income customers of the investor-owned water utilities, and affordability.⁵³

We must decide both how closely we follow the Plan and D.20-08-047, as well as how much we consider outlier real-world events, in this case the drought year. The difference here is more noticeable, the 4 cubic feet is a 3.5% increase by including the drought year instead of an earlier non-drought year.⁵⁴ This difference is enough to measurably affect rates, so we must decide whether a drought is "normal enough" to leave in unadjusted in a 5-year data set or "abnormal enough" to adjust the application of the Plan's 5-year data set guideline and still adhere to D.20-08-047.

6.3.1. Six Factors in D.20-08-047

The Commission found that certain factors should all be included in the sales forecasting model presented by a water utility in its GRC or equivalent. While water utilities may still choose their preferred water sales forecasting model, the following factors should be incorporated into the model they use in a GRC.⁵⁵

1. Impact of revenue collection and rate design on sales and revenue collection.
2. Impact of planned conservation programs.
3. Changes in customer counts.

⁵³ <https://docs.cpuc.ca.gov/DecisionsSearchForm.aspx>

⁵⁴ Yet another option would be to drop the drought year but not add in the earlier 2018-2019 year. Either option would yield a higher forecast compared to a forecast with the drought year included.

⁵⁵ See D.20-08-047 at 46-47.

4. Previous and upcoming changes to building codes requiring low flow fixtures and other water-saving measures, as well as any other relevant code changes.
5. Local and statewide trends in consumption, demographics, climate, population density and historic trends by ratemaking area.
6. Past Sales Trends.

Great Oaks argues that it did consider all six factors in its testimony.⁵⁶ It also argued that we should use recorded water production data for July–October 2024, included in Great Oaks’ rebuttal testimony which proposed an updated water sales forecast for the test Year. This additional recorded data shows that Great Oaks’ water consumption is accelerating, and this prompted Great Oaks to predict that water usage during the three-year general rate case period will likely return to pre-drought average levels. Great Oaks argues that this justifies removing the drought year data and cites D.20-08-047:

The Commission “has long recognized that sales forecasting is specific to each water utility and the areas they serve,” and has held that “water utilities may . . . choose their preferred water sales forecasting model.”⁵⁷

This has been a perennial issue: what constitutes “normal” weather and water consumption and how do we adequately forecast. Notwithstanding the Plan and D.20-08-047 we believe that Great Oaks has the best understanding of its service territory, customer patterns, and their trends in consumption. We will defer this time to Great Oaks’ thorough and careful consideration of all six factors affecting its expectations for Test Year 2025-2026 and adopt the

⁵⁶ Great Oaks Opening Brief at 19 citing Ex. GOWC-1, Chapter 4, at 4-6 to 4-7, in footnotes 95 and 96.

⁵⁷ Great Oaks Opening Brief at 20 and in footnote 105 citing to D.20-008-047 at 50.

company's forecast of sales on factor of which includes the exclusion of the drought year 2022-2203 and substitutes the earlier recorded year 2018-2019 in its 5-year year trend.

7. California Corporate Franchise Tax

The California Corporate Franchise Tax (CCFT) is a state tax imposed on corporations. The CCFT is a deductible expense for a company when it is computing its Federal corporate income taxes (Title 26. Internal Revenue Code § 164. Taxes.)⁵⁸

The dispute between Great Oaks and Cal Advocates centers on what is the correct annual amount of the CCFT deduction for ratemaking purposes. Commission policy has evolved over time on how to determine the correct amount for a particular year, and in fact, the Commission has adopted GRC ratemaking settlement agreements for several of Great Oaks' prior GRCs, and many of the GRCs of other Class A water companies. Sometimes these settlement agreements deviate from the Commission's own policies on how to determine the correct amount. Thus, some settlements include CCFT allowances which would not be the amounts determined under the Commission's stated ratemaking practices.

⁵⁸ (a) General rule.--Except as otherwise provided in this section, the following taxes shall be allowed as a deduction for the taxable year within which paid or accrued:

- (1) State and local, and foreign, real property taxes.
- (2) State and local personal property taxes.
- (3) State and local, and foreign, income, war profits, and excess profits taxes.
- (4) The GST tax imposed on income distributions

[\(https://codes.findlaw.com/us/title-26-internal-revenue-code/26-usc-sect-164/](https://codes.findlaw.com/us/title-26-internal-revenue-code/26-usc-sect-164/)

(As of February 25, 2025.)

Both parties here point this out and acknowledge that settlements are not precedential. Thus, they both acknowledge they cannot reverse-engineer a conclusion that because any settlement amount is not consistent with then-current commission policies and practices the Commission's policies or practices have therefore changed. As noted in our settlement discussion herein many items may have been adjudicated differently than how the parties settled for the limited purpose of setting rates for a single rate case cycle. We can and have accepted deviations in settlements where a great number of issues have been settled by compromise, and we only chose not to modify or reject a settlement because the settlement as a whole was reasonable.

Great Oaks presents a selection of cases where the Commission has sometimes followed and sometimes deviated from its stated policy and asks us to resolve this question here for all water utilities. We can only solve the issue here for Great Oaks⁵⁹ because no other Class A had notice or opportunity to weigh in on an industry-wide resolution. It is our intention to adopt a CCFT allowance that comports with our current policy and practice. We generally follow our own decisions and policies unless there is a good reason to deviate. There is no settlement here that resolves all or even most of the significant issues.

Great Oaks cites to D.12-04-009 which says:

Use of the current year's state taxes as a deduction in the current year's federal tax calculation is a better match of revenues and expenses for the same period. Because the tax calculations are based on test year expenses and revenues, it is logical to use the test year state tax estimate as the deduction for the test year's federal income taxes. "⁶⁰

⁵⁹ Great Oaks Opening Brief at 37-40.

⁶⁰ D.12-04-009 at 5.

In that decision the Commission recognized that California law on CCFT had changed eliminating the need to make estimated payments one year in advance:⁶¹

SEC. 4. Section 18415 of the Revenue and Taxation Code is amended to read: 18415. Unless otherwise specifically provided therein, the provisions of any act: ... (b) That change the provisions of Sections 19023 to 19027, inclusive, (relating to payment of estimated tax) or Section 19136 or Sections 19142 to 19151, inclusive, (relating to underpayment of estimated tax) shall be applied to taxable years beginning on or after January 1 of the year immediately after the year in which the act takes effect.

Great Oaks' choice to cite this decision is interesting. That decision was subject to rehearing in which the Commission granted rehearing on several issues specifically including the correct CCFT allowance.⁶² In fact, the rehearing issues were taken up in the subsequent GRC and were then settled in D.14-12-038 rather than being litigated to a conclusion, and the prior proceeding was subsequently closed by D.15-09-006. The Commission never litigated the rehearing. So, this disputed CCFT issue was settled but that settlement in D.14-12-038 is not precedential. Had it been litigated on rehearing it would have been citable as a precedent. But Commission precedents are not absolute.

Cal Advocates uses a later decision which reaches a different conclusion. In this later proceeding the assigned ALJ reached a completely different conclusion. The justification in D.17-06-008⁶³ is equally logical where it relied on the argument that the prior year's authorized CCFT expense was the appropriate

⁶¹ Footnote 3, D.12-04-009.

⁶² The utility in question was Suburban Water Company, not Great Oaks.

⁶³ D.17-06-008 at 38-41.

amount to deduction when calculating the subsequent year's Federal Income Tax (FIT). The decision describes this as using the last Attrition Year's CCFT for the new Test Year's FIT calculation. D.17-06-008 made a logical accounting principles-based argument about accrual-based accounting and timing.

Arguable either method is reasonable if consistently used over time – the key point being consistently. The Commission needs to be alert to the cynical approach of a party circumstantially flip-flopping from proceeding to proceeding depending on which method gives the “best” outcome rather than the most consistent and reasonable outcome.

There is a fundamental objective in any GRC to “restart” the expectations and obligations of the utility in each rate case for the upcoming three years. We start with the best base line test year forecast, i.e., a fresh start with a fresh look at capital projects and operating expenses which includes a reflection on what went well or what were the surprises of the prior cycle. We set new rates that we deem to be just and reasonable, i.e., fair to both the company and the customers. The approach in D.12-04-009 is clearly in the “fresh start” camp: no hold-over of the prior cycle's last attrition year's estimates diluting the new cycle. By starting over for the new cycle prior settlements cannot constrict our choices. The logic here is that the second year from a prior GRC cycle is “stale” because two years have elapsed, and the last test year is no longer relevant whether settled or litigated, when forecasting a new test year. The attrition years would also calculate a current CCFT deduction based on the attrition year's forecast of expenses.

Ironically a CCFT balancing account would eliminate nearly all of the disputes over which year's estimate for CCFT, the prior Attrition Year's or the current Test Year's, should be used because we would annually true-up the cost

to actual CCFT costs over time. No party proposed a balancing account, and we do not consider one necessary or desirable.⁶⁴

We choose to follow a “fresh start” approach: the CCFT allowance in rates for Test Year 2025-2026 should be the calculation of the CCFT deduction calculated when determining the test year FIT expense and not the deferred utilization of prior rate cycle’s Attrition Year’s CCFT – which is a second escalation derived from the two-year old prior Test Year. We therefore adopt \$118,752⁶⁵ as the CCFT forecast used to calculate the Test year FIT and recoverable in the Test Year 2025-2026 rates as proposed by Great Oaks using the D.12-04-009 “fresh start” approach. Cal Advocates’ forecast of \$138,287, under the D.17-06-008 method, is rejected. This resolves the \$19,535 dispute between Great Oaks and Cal Advocates.

8. Ground Water Expense

The cost of water pumped from wells in two zones W-2 and W-7 within the Santa Clara Valley Water District, are at the heart of Great Oaks’ operations. Great Oaks and Cal Advocates disagree on how much water the company can extract from zones W-2 and W-7 in the test year and the attrition years. There is a significant cost differential between the two zones and a dispute over how much Great Oaks can extract from each specific zone. The fiscal year 2024-2025 charges for Zone W-2 are currently \$2,229 per acre-foot⁶⁶ for non-agricultural

⁶⁴ We discuss the philosophy and purposes behind balancing accounts and memorandum accounts elsewhere in this decision in some depth.

⁶⁵ Great Oaks Opening brief at 40.

⁶⁶ An acre-foot is a unit of volume that measures the amount of water needed to cover one acre of land to a depth of one foot. One acre-foot is equal to 325,851 gallons. According to one manufacturer, the average inground pool in California is 16 ft. x 32 ft. It takes 17,280 gallons of water to fill an average 16 ft. x 32 ft. rectangular pool with an average depth of 3.5 ft. That is

Footnote continued on next page.

uses and \$750.50 for Zone W-7.⁶⁷ Financially It makes obvious sense to maximize production from the much cheaper Zone W-7. Great Oaks and Cal Advocates disagree on how to forecast the zone production for the three years in the rate case cycle.

Cal Advocates makes this comparison:

Great Oaks proposes a groundwater budget of \$16,788,356,⁶⁸ with a pumping ratio of 56% for Zone W-2 and 44% for Zone W-7.⁶⁹

Cal Advocates recommends a groundwater budget of \$10,826,526,72 with a pumping ratio of 17% for Zone W-2 and 83% for Zone W-7.⁷⁰

If there were no water capacity limitations it would be clear that Great Oaks should maximize production from Zone W-7. It is important to remember that Great Oaks does not earn a return on the cost of this water – the expense is a pass-through to customers. It is also important to note that Great Oaks has an obligation to provide service at the lowest reasonable cost, so it has a regulatory motivation to keep costs low as well as a public relations motivation.

Great Oaks rebuts Cal Advocates' proposal on two points: first, Cal Advocates uses a single year's production, based solely on the ratio of water produced from Zones W-2 and W-7 in the 2023/2024 year.⁷¹ Second, Great Oaks points out that Cal Advocates uses a single year's data unlike its general practice

just under $1/5$ of an acre-foot of water. (See <https://calimingo.com/blog/what-is-the-average-pool-size-for-homes-in-california/> current as of February 27, 2025.)

⁶⁷ Great Oaks Opening Brief at 24.

⁶⁸ Great Oaks revised this request to \$14,518,543, *see* in the discussion below.

⁶⁹ These ratios do not correspond to Great Oaks' data in Table 1, below.

⁷⁰ Cal Advocates Opening Brief at 11.

⁷¹ Great Oaks Opening Brief at 28.

for many other items to use a five-year historic average for virtually every other recommendation in this case.⁷²

Great Oaks points out that although it added three new wells increasing production in recent years in Zone W-7 the older four wells are declining in production. In its testimony and brief, Great Oaks argues that variations in production and recent multi-year experience yields a more nuanced forecast of annual production potential from both Zones W-2 and W-7. A comparison between Great Oaks' 3-year forecast and Cal Advocates' reliance on actual 2023-2024 production data is shown below:

Period/Volume	Great Oaks (a)		Cal Advocates (b)	
	Zone W-2	Zone W-7	Zone W-2	Zone W-7
2025-2026 10,488 Acre-Feet	31.05%	68.95% 7,232	17%	83%
2026-2027 10,562 Acre-Feet	34.40%	65.60% 6,929	17%	83%
2027-2028 10,636 Acre-Feet	37.58%	62.42% 6,639	17%	83%
Three-Year Avg	34.40%	65.60%	17%	83%

Source: (a) Great Oaks Opening Brief at 28 citing to Ex. GOWC-8, at 24
(b) Cal Advocates Opening Brief at 11.

Cal Advocates recommends a groundwater budget of \$10,826,526 with a single pumping ratio of 17% for Zone W-2 and 83% for Zone W-7. Great Oaks forecasts a Test Year ground water charge of \$14,518,543.⁷³ The disputed difference is \$3,689,017. There are similar differences for the two attrition years, with Great Oaks using different ratios and for both parties the annual costs per acre-foot increase.

⁷² *Ibid.*

⁷³ Cal Advocates Opening Brief at 11 and Great Oaks Opening Brief at 28.

When forecasting utility costs historical trends can inform us but do not control us. We must also look at verifiable changes in circumstances that would impact the reliability of a trend. Here, for example, the known decline in production in four older wells and the limitations of the three new wells need to be considered. A single year's data point can mislead us because it points in no known direction. We are faced with a disconcertingly large variance between Cal Advocates' proposed 83% of ground water coming from the much cheaper Zone W-7 and Great Oaks's lowest forecast of only 62.42%, a variance of 20.58%. We find that Great Oaks has met its burden of proof and was more persuasive than Cal Advocates. Great Oaks demonstrated its greater depth of data and analysis. We therefore adopt Great Oaks Test Year forecast of \$14,518,543 for 2025-2026 ground water expenses and the related forecasts for the two attrition years.

9. Purchased Power – Account 726

Great Oaks purchases a significant amount of power for pumping and related water treatment facilities etc. For Test Year 2025-0226 it forecasts purchased power costs of 417-kilowatt-hours/acre-feet (kWh/ AF) for a total of cost of \$1,367,331 for purchased power expense.⁷⁴ The costs for this activity are calibrated to show the power consumed in kWh to pump one AF of water.

Great Oaks argues that it has seen a consistent trend of rising costs due to the increasing amount of energy required for the same task over recent years. Both parties appear to rely on the same cost per kWh but disagree on the quantity of energy. Great Oaks presented data that showed the amount of energy changed from 400-kWh/ AF in 2019-2020 to 418-kWh/ AF in 2022-2023.

⁷⁴ Great Oaks Opening Brief at 29.

Great Oaks admits the amount dipped in 2023-2024 to 409-kWh/ AF but argues this does not negate an overall upward trend. Great Oaks therefore proposes 417-kWh/ AF as its expectation based on a trend, below the 2022-2023 peak of 418 but still trending upwards.⁷⁵

Cal Advocates disputes whether there is a predictable trend and argues instead to use a five-year average of 410-kWh/ AF.⁷⁶

There is a problem with using an average of costs to forecast future costs in that it dilutes the impact of an upward or downward trend. Consider if a cost rose from \$5 to \$6, etc. to \$9 over five years. The five-year average would be \$7.⁷⁷ But a very clear upward trend would strongly suggest, absent other data, that next year's cost is likely to be \$9 or greater - \$10 - unless something is expected to change the trend.

Cal Advocates relies heavily on "five years" of data and in its testimony and briefs frequently speaks of "five year" averages. It does this no doubt because the water industry rate case plan adopted in D.07-05-062 uses the phrase "five years" at least 57 times when describing the data to be provided by a utility when filing GRC filing. But the decision does not mandate that every estimate is to be based on a recorded five year average. The decision refers to regression analysis, "average change," and allows significant freedom to the parties to recommend a suitable forecast methodology. In the example above, the "average change" over the prior five years is a \$1 upward change every year. Thus, a forecast of \$10 not \$7 would reflect the five years' average annual change, which also indicates a consistent trend. We need not illustrate more complicated

⁷⁵ Great Oaks Opening Brief at 30.

⁷⁶ Cal Advocates Opening Brief at 14.

⁷⁷ $\$5 + \$6 + \$7 + \$8 + \$9 = \35 . $\$35 / 5 = \7 .)

regression analysis⁷⁸ – the point is the forecast method must be reasonable and consistent with the available data. Cal Advocates is ignoring the average change in the data and instead uses a simple arithmetic average which suppresses the trend which is that on average the number of kWhs has trended upward – with a range of 400 to 418 kWhs even with the dip to 409 kWhs.

We will adopt the Great Oaks estimate of 417 kWh/ AF for the Test Year 2025-2026 which is estimated to cost \$1,367,331 and we will use the same 417-kWh/ AF to calculate purchased power costs for the two attrition years.

10. Outside Services – WaterSmart Program

Great Oaks customers can enroll in a conservation-focused WaterSmart program and receive reports on how their consumption has changed and compare their consumption to other customers. The costs of this program are recorded in Account 798 Outside Services.

Cal Advocates and Great Oaks have a \$4,960 difference in their test year forecasts. Great Oaks requests a \$458,739 budget for all Outside Services, \$132,000 of which will be allocated to Great Oaks' WaterSmart Program. Cal Advocates has recommended a \$453,778 budget for Outside Services with a \$4,960 reduction to WaterSmart Program budget.

The dispute is based on how the program costs were estimated. Great Oaks based its estimate on an increase over its last invoiced cost for the program. Great Oaks proposes \$132,000 which is less than the last forecast for 2024-2025 of \$134,000 but which is \$7,335 higher than the last actual bill for \$124,665.

⁷⁸ Essentially a regression analysis would look to draw a trend line from the data even if there are ups and downs in the data from year to year. Our simple example would give a straight line upward strongly supporting an estimate of \$10.

Cal Advocates says it based its estimate on the average change of historical rates. But it showed no calculation for this estimate in its testimony.⁷⁹

If we subtract Cal Advocates' \$4,960 adjustment applicable only to WaterSmart from Great Oaks's proposal for WaterSmart of \$132,000 the budget would apparently be \$127,040⁸⁰ which is only a \$2,375 increase over the last actual bill. So Great Oaks and Cal Advocates differ by about \$5,000.⁸¹

Given the small amounts involved we will roughly split the difference and adopt \$130,000 for WaterSmart in Test Year 2025-2026.

11. Non-Tariff Products and Services

The Commission's rules regarding affiliated transactions for water companies sets out a policy that the revenues from Non-Tariff Products and Services (NTP&S) i.e., products or services other than the provision of water, are to be shared between ratepayers and the utility pursuant to Rule X.C.5, so that the first \$100,000 accrue to the benefit of ratepayers after which, for passive NTP&S projects, 30% is to allocated to the ratepayers and 70% is allocated to the shareholders.⁸²

As noted several times Great Oaks is the smallest of the Class A companies and therefore is a significantly different operation compared to the other much larger companies, several of whom are part of a national group of related companies. Great Oaks is not.

⁷⁹ Cal Advocates EX XX at 77.

⁸⁰ Cal Advocates did not separately show this net amount.

⁸¹ (\$7,335 - \$2,375 = \$4,960.) Neither party show this calculation of the difference.

⁸² Cal Advocates Reply Brief at 12 citing to the Commission's adopted NTP&S Rules, Rule X.C.2 (Oct. 25, 2011) at A-13.

See: https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/146112.PDF

This issue has been settled several times but, as we know settlements are limited in life and are not binding going forward. In this proceeding the parties proposed to settle only one item with a dollar value impact, i.e., it is far from a substantial or total settlement. The parties did not settle NTP&S this time.

The total revenue for NTP&S is forecast in 2025-2026 to be \$112,000. There is no dispute on the forecast for 2025-2026 Test Year. Great Oaks points out that it has ended one contract, and the revenues fell dramatically from the prior proceeding's test year forecast, of \$161,892.⁸³ Applying the standard rules \$103,600⁸⁴ would be allocated to ratepayers because the rule for all Class A companies allocates the first \$100,000 to ratepayer. Any amount over \$100,000 is then allocated 70/30 between shareholders and ratepayers. Great Oaks argues that the residual 70% to shareholders which is \$8,400⁸⁵ will not cover its costs.⁸⁶ It would be an unexpected hit of \$47,600⁸⁷ because Great Oaks was proposing to split the total revenue 50-50, not just the excess of \$100,000, reverting to a prior settlement's outcome. Cal Advocates proposes a strict application of the policy and suggests that if \$8,400 is not enough to cover costs then Great Oaks needs to find ways of generating more revenue (and keep 70% of the excess over \$100,000).⁸⁸

⁸³ D.23-04-004 at 55.

⁸⁴ \$100,000 plus \$3,600 = \$103,600. ($\$12,000 \times 30\%$ to ratepayers = \$3,600)

⁸⁵ $\$12,000 - 3,600 = \$8,400$. Or, $\$12,000 \times 70\%$ to shareholders = \$8,400.

⁸⁶ Neither party in their briefs disclose the full costs to Great Oaks

⁸⁷ $\$112,000 / 2 = \$56,000$. $\$56,000 - \$8,400 = \$47,600$.

⁸⁸ See: Cal Advocates Reply Brief at 13. "In addition, if Great Oaks wants to generate more NTP&S revenue for its shareholders and to help it pay for its NTP&S administrative costs, it should endeavor to get further above the \$100,000 revenue sharing threshold."

When parties settle issues outside the normal practices there can be a shock when that settlement no longer applies. But the prior proceeding decision is unclear regarding what really happened. In the discussion the last decision says; “For purposes of moving forward, Great Oaks agrees to accept Cal Advocates’ recommended ratepayer credit of (\$113,626) for Test Year 2022/2023.”⁸⁹ There is no specific Ordering paragraph on this issue. By essentially stipulating to a ratepayer credit of \$113,626 Great Oaks received the net amount of \$48,266.⁹⁰ The amount Great Oaks seeks this time, with one less outside contract, is very close to this amount. Cal Advocates’ only suggestion is for Great Oaks to find another contract to earn more revenue. We have no record on whether there are other options.

The rule requires that the first \$100,000 goes to the ratepayers before sharing applies equally to Great Oaks with about twenty thousand customers and Cal Water with over five hundred thousand customers. The impact of strict application falls harder on the smaller of these two because it is reasonable to assume the bigger companies have a bigger customer base for these sales.

For this proceeding only, we will waive the 70/30 split of revenues over \$100,000 for the first \$12,000 dollars of NTP&S revenues over \$100,000, i.e., the amount forecast. We will allocate all of the forecast excess of \$12,000 to shareholders. Any revenues in excess of \$112,000 should be split according to the rules and refunded to ratepayers as an offset in the next GRC.

We strongly urge both parties to refrain from any “rule-busting” settlements in the future. We expect both sides to make their best expert forecast

⁸⁹ This is another confusion between settlement of a majority of the case vs stipulating, not contesting, individual items. “Moving forward” does not sound like a mutual settlement.

⁹⁰ \$161,892 - \$113,626 = \$48,266.

of revenues in the next GRC and abide by the rule as written. If Great Oaks finds that it cannot cover its costs with the available contracts (or new ones) under the rule as written then it should follow through on its' expressed option of discontinuing NTS&P activities. If the parties want to settle NTS&P in the future they should only settle the forecast amount and not tinker with this or any other Rule or Standard Practice. It seems inconsistent for Cal Advocates to insist on following the rules and standard practices when making an estimate or criticizing the applicant for not following the rules, but to then disregard the rule or standard practice in a settlement.

12. Franchise Requirements – Account 797

The Commission adopted a uniform system of accounts for Class A water Companies which controls how the companies are expected to record and report transactions.⁹¹

One account is Account 797, Franchise Requirements.⁹² Great Oaks and Cal Advocates agree on the methodology so the adopted Results of Operations will reflect the correct calculation. The differences cited by the parties reflect the variance in their positions on other costs which impact this calculation.

13. Federal Income Tax

The parties have no issues with how to calculate Federal Income Tax (FIT) nor issues on what items flow into the calculation, so the adopted Results of Operations will reflect the correct calculation.

⁹¹ [sp-u-38-w.pdfhttps://www.cpuc.ca.gov/-/media/cpuc-website/divisions/water-division/reports/standard-practice/sp-u-38-w.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/water-division/reports/standard-practice/sp-u-38-w.pdf). (As of March 6, 2025.)

⁹² *Ibid.* "This account shall include payments to municipal or other governmental authorities, and the cost of materials, supplies and services furnished such authorities without reimbursement in compliance with franchise, ordinance, or similar requirements; provided, however, that the utility may charge to this account at regular tariff rates, instead of cost, service furnished without charge under provisions of franchises."

14. Uncollectible Accounts - Account 775

Account 775, Uncollectible Accounts⁹³, is in dispute. The Joint Comparison Exhibit, attached to Great Oaks' Reply Brief shows a difference of \$10,774. This appears to be the difference due to other differences which impact the calculation. No other dispute is briefed and therefore the adopted Results of Operations will reflect the correct calculation based upon the standard practice for calculation and the adopted inputs which affect the calculation.

15. Rate Design

There were no litigated rate design issues in this proceeding. The parties did agree, however, to Great Oaks' proposal to change the allocation of fixed costs. This results in a significant increase to the monthly service charge that is not proportional to the overall change in revenue requirement.

Under the rate design in effect from the last GRC Great Oaks currently recovers 75% of its fixed costs through its readiness-to-serve, or meter, charge, and the other 25% of its fixed costs, and all variable costs, through the volumetric water sales component of customer bills. Great Oaks also currently recovers 35% of its revenue requirement from meter charges and 65% from quantity charges.

In this proceeding Great Oaks and Cal Advocates agree that the Commission should authorize Great Oaks to recover 100% of fixed costs through monthly meter service charges, the differences in the parties' revenue requirement calculations lead to different recommended charges for each meter

⁹³ *Ibid.* "If the utility elects to maintain Account 254, Reserve for Uncollectible Accounts, it shall charge to this account amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to Account 254, Reserve for Uncollectible Accounts. Losses from uncollectible accounts under reserve accounting shall be charged to Account 254. If a reserve is not maintained the losses on account of uncollectibles shall be charged to this account [Account 775 Uncollectible Accounts] as incurred."

size.⁹⁴ Therefore, the adopted Results of Operations and will reflect the correct calculation based upon the adopted revenue requirement and the resulting rates and charges will split fixed and variable costs to calculate the correct charge for each meter size.

16. Environmental and Social Justice Issues

The Commission is committed to serving Californians in a way that helps address inequities for those facing higher barriers in accessing safe and affordable utility and transport services. On April 7, 2022 the Commission adopted the Environmental and Social Justice (ESJ) Action Plan (Version 2.0),⁹⁵ updating and revising nine goals in the February 2018 ESJ (Version 1.0) to serve as a roadmap to expand public inclusion in Commission decision-making and improve services to targeted communities across California. The Commission's ESJ Action Plan identifies ways the Commission can use its regulatory authority to achieve these goals.

The nine revised and updated goals in ESJ Version 2.0 include:

1. Consistently integrate equity and access considerations throughout CPUC regulatory activities;
2. Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health;
3. Strive to improve access to high-quality water, communications, and transportation services for ESJ communities;
4. Increase climate resiliency in ESJ communities;

⁹⁴ See Great Oaks Opening Brief at 68.

⁹⁵ See: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf> (As of April 21, 2025.)

5. Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC's decision-making process and benefit from CPUC programs;
6. Enhance enforcement to ensure safety and consumer protection for all, especially for ESJ communities;
7. Promote High Road⁹⁶ career paths and economic opportunity for residents of ESJ communities;
8. Improve training and staff development related to environmental and social justice issues within the CPUC's jurisdiction; and
9. Monitor the CPUC's environmental and social justice efforts to evaluate how they are achieving their objectives.

Specifically, ESJ Action Plan Goal 3 is pertinent to this proceeding. It provides that the Commission will "strive to improve access to high-quality water ... for ESJ communities." The following sub-goal for Goal 3 is also pertinent: 3.2 Water Customer Resilience.

This decision funds Great Oaks' low-income and other customer assistance programs. The tiered rate program also ensures customers have the lowest possible costs for basic needs. The Commission believes that this decision is consistent with its ESJ Action Plan.

⁹⁶ High Roads is defined in the Unemployment Insurance Code § 14005(r) as: "“high road” means a set of economic and workforce development strategies to achieve economic growth, economic equity, shared prosperity and a clean environment. The strategies include, but are not limited to, interventions that: (1) Improve job quality and job access, including for women and people from underserved and underrepresented populations. (2) Meet the skill and profitability needs of employers. (3) Meet the economic, social, and environmental needs of the community.” See: https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=UIC&division=7.&title=&part=&chapter=2 (Current as of April 21, 2025.)

17. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the appropriate online Docket Card for that proceeding on the Commission’s website.

From July 1, 2024 through December 17, 2024 five public comments were submitted on this proceeding and are available on the Commission’s web site.⁹⁷ The most consistent comments were concerns over affordability and whether Great Oaks had sufficiently justified its requested rate increase and its need for its proposed capital expenditures. The Commission is aware of and shares these concerns. The adopted revenue requirements are the lowest reasonable rates we could adopt consistent with allowing Great Oaks an opportunity for a reasonable return and sufficient revenues to provide safe and reliable water service to its customers.

18. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

19. Comments on Proposed Decision

The proposed decision of ALJ Douglas M. Long in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

⁹⁷ <https://apps.cpuc.ca.gov/apex/f?p=401:65> (Current as of March 14, 2025.)

20. Assignment of Proceeding

Mathew Baker is the assigned Commissioner and Douglas M. Long is the assigned Administrative Law Judge and presiding officer in this proceeding.

Findings of Fact**General**

1. Great Oaks is a Class A water company subject to this Commission's jurisdiction.
2. Great Oaks is a closely held company with no corporate affiliates or ties.
3. The interested parties investigated all issues as set forth in the assigned Commissioner's scoping memorandum and ruling.

Settlement (§ 4)

4. Great Oaks and Cal Advocates entered into a limited proposed Settlement Agreement that purportedly resolved 4 four issues.
5. The first settled issue was a minor \$4,469 difference in salaries and wages estimates. The parties agreed to accept this difference as a reduction to Great Oaks' forecast.
6. The second issue was not an open issue to settle: three balancing accounts had been already resolved by an independent Commission action approving an advice letter.
7. The third issue was resolved when Great Oaks and Cal Advocates agreed to Great Oaks' revised forecast for Customer Records and Collections Expense.
8. The final issue addressed are already well established method and the Commission's requirements for Great Oaks to present its rate proposals and the calculation of the proposed change to the rates in effect at the time of the application.

Capital Projects (§ 5.1)

9. Cal Advocates accepted all of Great Oaks' capital projects except for the proposed Battery Energy Storage System.

Capital Asset Management Plan (§ 5.2)

10. Great Oaks was given funding for a capital asset management software system in a prior GRC decision that has not yet been acquired and installed.

Balancing and Memorandum Accounts (§ 5.3)

11. A Battery Energy Storage System would enhance Great Oaks' grid flexibility and improve the resilience of its power supply system against the threats posed by extreme weather events.

12. A memorandum account would allow Great Oaks to recover the costs of a Battery Energy Storage System should it obtain possible government grants which could offset 50-75% of the project cost.

13. The Battery Energy Storage System would enhance Great Oaks's grid flexibility and would improve the resilience of its power supply system.

14. There is a potential for state and federal grants to partially fund the Battery Energy Storage System.

15. A memorandum account would enable Great Oaks to track and later request recovery of the costs of a Battery Energy Storage System.

Customer Forecast and Sales Forecast (§ 6)

16. Great Oaks and Cal Advocates had nearly identical customer forecasts. For Test Year 2025-26 Great Oaks estimates 21,442 residential customers whereas Cal Advocates estimates 14 more, 21,256.

17. Great Oaks forecast sales on a normalized basis excluding drought year 2022-2023 in the 5-year forecast of sales and substituted an earlier recorded year 2018-2019.

18. Great Oaks considered the six-factors mandated by D. 20-08-047 when in forecast sales.

19. Cal Advocates did not adjust for the 2022-2023 drought and rigidly applied the methodology in the generic rate case plan and its own interpretation of D. 20-08-047.

California Corporate Franchise Tax (§ 7)

20. Over time the Commission has forecast CCFT for Class A water companies using two different methods for both Great Oaks and other Class A water companies.

21. The first method to forecast CCFT is a lagged method where the prior year's forecast is used as a deduction for the current year's forecast of Federal Income Tax expense. The second method is the current year method.

22. The lagged CCFT method was established and used when companies were required to make estimated CCFT payments.

23. The current year CCFT method uses the forecast of current year CCFT as a deduction for the current year Federal Income Tax expense.

24. California companies are no longer required to make estimated payments.

25. The current method would utilize current forecasts in the three year rate cycle and would not carry forward estimates from a prior GRC.

Ground Water Expense (§ 8)

26. Great Oaks extracts its groundwater from two areas, Zone W-2 and W-7.

27. Zone W-2 has a cost of \$2,229 per acre-foot and Zone W-7 has a cost of \$750.50 per acre-foot.

28. Great Oaks has added three new wells in Zone 7 which have increased its capacity although the existing four wells have been declining in production.

29. Great Oaks used recent multi-year data and considered the new wells and the declining production of existing wells to forecast the Test year and two Attrition Years' production from Zones W-2 and Zone-7.

30. Cal Advocates used a single year's data, deviating from its usual practice of considering five-years data for averages and trends.

Purchased Power - Account 726 (§ 9)

31. Great Oaks used the upward trend of the most recent five-years' consumption of power to forecast 417 kWh/AF for the test year.

32. Cal Advocates used the recent 5-year average of kWh/AF for its test year forecast.

33. An average of power consumption dilutes the impact of any trend, up or down, in consumption.

Outside Services - WaterSmart Program (§ 10)

34. Great Oaks and Cal Advocates have a near-identical forecast for the WaterSmart program. They differ by approximately \$5,000.

35. There is no clear right or wrong forecast for WaterSmart. An average of the two estimates provides forecast is within the likely range of the expense.

Non-Tariff Products and Service (§ 11)

36. The Commission adopted Rule X.C.5 to allocate Great Oaks' revenues from products or services other than water services.

37. The forecast for NTP&S for 2025-2026 is \$112,000 to be allocated to ratepayers and shareholders under Rule X.C.5. Under the rule the first \$100,000 is allocated to ratepayers and then shareholders split the excess retaining 70% and sharing 30% with ratepayers.

38. Great Oaks' expenses to administer the NTP&S program are stated to be greater than the 70% share of the \$12,000 in excess of \$100,000.

39. The parties have previously ignored Rule X.C.5 and settled the NTP&S revenue allocation differently.

Franchise Requirements – Account 797 (§ 12)

40. The parties agree to the methodology for calculating the expense in Account 797 and the forecasts only differ because of the other differences in the total forecast of the test year revenue requirement.

Federal Income Tax (§ 13)

41. The parties agree to the methodology for calculating the Federal income Tax expense and the forecasts only differ because of the other differences in the total forecast of the test year revenue requirement.

Uncollectible Accounts (§ 14)

42. The parties forecasts of uncollectible accounts only differ because of the other differences in the total forecast of the test year revenue requirement.

Rate Design (§ 15)

43. Great Oaks and Cal Advocates agree that a 100% of fixed costs should be allocated to the monthly service charge.

Environmental & Social Justice (§ 16)

44. In ~~2019~~2022 the Commission adopted the Environmental and Social Justice Action Plan.

45. Great Oaks low-income and other customer-assistance programs ensure s customers have the lowest possible costs for basic needs.

Conclusions of Law

1. Great Oaks' revenue requirements and rate increases are, as set forth in this decision, just and reasonable.

Settlement (§ 4)

2. Great Oaks and Cal Advocates bear the burden of proof to show that their request for approval of their Settlement Agreement demonstrates that the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

3. The Settlement Agreement was not a compromise between Great Oaks and Cal Advocates on issues reasonably in dispute.

4. The settlement proposal on the presentation of rate proposals and the calculation of the proposed change to the rates in effect at the time an application filed interferes with the adopted policy and practices used by the Commission and is therefore unreasonable and would constrain the Commission in the future.

5. It is reasonable to reject the limited proposed settlement and address each issue on its merits.

Capital Projects (§ 5.1)

6. Great Oaks Test Year capital cost forecast is reasonable and necessary.

Capital Asset Management Plan (§ 5.2)

7. Great Oaks testimony and workpapers fully described its capital asset management plan for this proceeding.

8. Great Oaks failed to acquire and install software agreed to in the prior GRC settlement.

9. It is reasonable to require Great Oaks to promptly fulfill its promise and it is reasonable to require Great Oaks to acquire, install and use the new software before the next GRC.

Balancing Accounts and Memorandum Accounts (§ 5.3)

10. A Battery Energy Storage System Memorandum Account would reasonably allow Great Oaks to pursue building a Battery Energy Storage System

if it can obtain possible government grants which could offset 50-75% of the project cost.

Customer Forecast and Sales Forecast (§ 6)

11. Great Oaks made a more comprehensive and reasonable forecast of customers than Cal Advocates.

12. Great Oaks reasonably considered the six-factors mandated by D.20-08-047 when in forecast sales and reasonably considered relevant trends.

13. Great Oaks proposed the most reasonable sales forecast.

California Corporate Franchise Tax (§ 7)

14. It is reasonable to calculate the CCFT using the test year forecasts for CCFT to determine the test year FIT deduction for CCFT.

Ground Water Expense (§ 8)

15. It is reasonable to forecast the amounts of groundwater extracted from Zones 2 and 7 using a multiyear trend that reflects the actual results of extraction from Zone 2 and 7.

Purchased Power - Account 726 (§ 9)

16. It is reasonable to calculate the purchased power expense using a 5-year trend rather than a 5-year average of recorded costs.

Outside Services - WaterSmart Program (§ 10)

17. An average of the two similar forecasts for a relatively small expense difference is a reasonable compromise when neither forecast is clearly shown to be superior.

Non-Tariff Products and Services (§ 11)

18. It is reasonable to apply the Commission's current rules and practices whenever possible.

19. When the parties have previously disregarded a rule or practice in settlements it may be reasonable to partially transition to full compliance with the rules and practices to avoid shock to either party.

20. It is reasonable for this proceeding to enforce Rule X.C.5 requirement to allocate the first \$100,000 of NTP&S revenues to ratepayers and allocate the entire smaller excess forecast of revenues to shareholders.

21. It is reasonable to enforce the 70% shareholder allocation and 30% ratepayer allocation to all actual NTSP revenues in excess of the \$112,000 adopted forecast.

Rate Design (§ 15)

22. The parties have reasonably agreed to allocate 100% of fixed costs to the monthly service charge.

Environmental and Social Justice Issues (§ 16)

23. Great Oaks is in compliance with the Commission's Environmental and Social Justice (ESJ) Action Plan

24. Application 24-07-001 should be closed.

O R D E R

IT IS ORDERED that:

1. Great Oaks Water Company is granted \$26,211,243 in revenue requirement for Test Year 2025-2026 in this general rate case, and also \$28,233,964 and \$30,694,529 for attrition years 2026-2027 and 2027-2028, respectively. Appendix A, Tables A through H, show the adopted revenue requirement and rate base as well as the various expenses and other calculations necessary to fully implement this decision.

2. The limited Settlement Agreement between Great Oaks Water Company and the Public Advocate's Office of the Public Utilities is denied as unnecessary.

3. Great Oaks Water Company's (Great Oaks) capital project forecast is adopted. Great Oaks is authorized to file a Tier 1 Advice Letter to establish a Battery Energy Storage System Memorandum Account with a cap of \$1,500,000. Great Oaks is authorized and expected to pursue possible government grants which could offset 50-75% of the project cost.

4. Great Oaks Water Company (Great Oaks) shall acquire, install and use a new capital asset management software system previously funded in the prior general rate case settlement. Great Oaks must use this new software in conjunction with its existing management systems to prepare its next general rate case proposals.

5. Application 24-07-001 is closed.

This order is effective today.

Dated _____, at Sacramento, California.