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Public Advocates Office Expert Witnesses:	T.Tully D. Goldberg M. Dawadi A. Nagesh Yong Cheng Cao

Public Advocates Office

California Public Utilities Commission

Public Advocates Office's Report and Recommendations on the

RESULTS OF OPERATIONS OF GREAT OAKS WATER COMPANY

Fiscal Test Year 2019/2020
Application 18-07-002

- PUBLIC -

San Francisco, California
November 1, 2018

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MEMORANDUM

The Public Advocates Office examined the requests and data presented by Great Oaks Water Company ("GOWC") in Application ("A.") A.18-07-002 ("Application") and hereby provide the California Public Utilities Commission ("CPUC" or "Commission") with recommendations that represent the interests of ratepayers for safe and reliable service at lowest cost. Mr. Tony Tully is the Public Advocates Office's project lead for the proceeding. Mr. Richard Rauschmeier is the Public Advocates Office's oversight supervisor. Mr. Travis Foss is the Public Advocates Office's legal counsel.

The following table identifies the various Public Advocates Office reports and witnesses that provide analysis and recommendations relevant to the requests made by GOWC in the current proceeding.

Chapter	Description	Public Advocates Office Witness
I	**Executive Summary**	**Tony Tully**
II	**Results of Operations and Attrition Filing**	**Mukunda Dawadi**
III	**Operating Revenues, Rate Design and LICAP**	**Tony Tully**
IV	**Operations and Maintenance Expenses**	**Anusha Nagesh**
V	**Administrative and General Expenses**	**Anusha Nagesh**
VI	**Payroll**	**Anusha Nagesh**
VII	**Safety, Reliability and Capital Investment**	**Daphne Goldberg**
VIII	**Taxes Other Than Income**	**Mukunda Dawadi**
IX	**Income Taxes**	**Mukunda Dawadi**
X	**Rate Base**	**Mukunda Dawadi**
XI	**Balancing and Memorandum Accounts**	**Anusha Nagesh**
IX	**Contamination Proceeds Memorandum Account**	**Yong Cheng Cao**

Although the Public Advocates Office made every effort to comprehensively review, analyze and provide the Commission with recommendations on each ratemaking

and policy aspect presented in the application, the absence from the Public Advocates Office's testimony of any particular issue does not necessarily constitute endorsement or acceptance of the underlying requests, methodology, or policy position related to that issue.

CHAPTER I: EXECUTIVE SUMMARY

A. INTRODUCTION

GOWC filed A.18-07-002 on July 2, 2018. In its Application, GOWC requests authorization to increase rates effective July 1, 2019 in order to produce additional revenues through 2021 totaling $6,746,245 or 35.24% above the revenues GOWC estimated at current rates. In addition to the requested revenue increases, GOWC's Application contained a number of special requests.

A team of auditors, engineers and regulatory analysts from the CPUC's Public Advocates Office examined the requests and data contained in A.18-07-002 in order to provide the Commission with recommendations that represent the interests of residential and small business ratepayers for safe, reliable, and affordable service.

In A.18-07-002, Great Oaks Water Company requests fiscal year increases of $3,480,305 or 18.18% in 2019/2020, $1,689,521 or 7.47% in 2020/2021, and $1,576,419 or 6.48% in 2021/2022. As shown in the table below, the Public Advocates Office recommends a revenue decrease of no less than 4.05% in fiscal year 2019/2020, and an increase of no greater than 2.60% in 2020/2021. Per the Commission's Rate Case Plan, any change in revenues for 2021/2022 will be a formulaic calculation based upon escalation rates at the time of escalation filing. Therefore, the Public Advocates Office incorporates presents 2021/2022 revenue estimates for illustrative purposes only.[1]

Fiscal Year	GOWC Requested Change	GOWC % Change	Public Advocates Office Recommended Change	Public Advocates Office % Change
2019/2020	$ 3,480,305	18.18%	$ (796,874)	-4.05%
2020/2021	$ 1,689,521	7.47%	$ 516,147	2.60%
2021/2022	$ 1,576,419	6.48%	$ 610,000	3.00%

[1] Assumes a 3% escalation from the Public Advocates Office's recommended 2020/2021 revenues.

B. SUMMARY OF RECOMMENDATIONS

After examining the books and records of GOWC and testing for reasonableness and prudency, the components of the Public Advocates Office's key recommendations are summarized as follows:

1. RESULTS OF OPERATIONS ("RO") AND ATTRITION

- The Commission should require GOWC, in its future General Rate Cases, to calculate the percentage increase from present rate revenue to proposed rate revenue based on authorized rates, including tiered rates, and estimated water sales for all classes, including tiered customers.
- The Commission should require GOWC to calculate rate base for the second escalation year (i.e. the third year of the GRC cycle) in accordance with the Rate Case Plan.
- The Commission should update GOWC's RO Model with the current 8.15% Rate of Return as agreed upon in the recently submitted settlement in the Cost of Capital proceeding A.18-05-001.
- The Commission should require GOWC to file escalation year step filings if such filings would result in a rate decrease.

2. OPERATING REVENUE

The Commission should adopt the following recommendations concerning customer forecast, water consumption, rate design, operating revenues, and Sales Reconciliation Mechanism:

- **Customer Count Forecast -** The Commission should authorize an annual total customer growth of 156 customers per year for TY 2019/2020, escalation year 2020/2021 and attrition year 2021/2022 as shown in Table III-6. Growth of 156 customers per year is consistent with historical trends.

- **Water Consumption Forecast** - GOWC's updated total water forecast of 4,302,770 CCF[2] for TY 2019/2020 is reasonable based on historical trends and adoption of a four-tier rate design. However, the Commission should adopt a more accurate customer usage per classification allocation as shown in Table III-11.
- **Unaccounted for Water Forecast** - GOWC's Unaccounted for Water forecast of 7.20 percent for fiscal TY 2019/2020 is reasonable; however, GOWC should implement measures to reduce water losses.
- **Rate Design** – The Commission should adopt a four-tiered rate structure with 50 percent of fixed costs included in the quantity charge. The tier structure and rates are shown in Option 2 of Table III-14. The design is revenue neutral, provides incentives for high water users to conserve, and keeps rates low for LICAP customers.
- **Operating Revenues** – The Commission should adopt $18,878,336 in total Operating Revenues for 2019/2020. This includes a total of $4,243,042 for Service Revenues (Service Revenues include 50 percent of fixed costs, $76,515 for Private Fire Protection Revenues and $0 for Other Revenues), and a total of $14,635,294 for Usage Revenues (Usage Revenues include 100 percent of variable costs and 50 percent of fixed costs).
- **Sales Reconciliation Mechanism** - The Commission should reject GOWC's request for a SRM. GOWC fails to provide analysis and information to make a showing that the proposals are well-calculated. GOWC does not currently have a full WRAM which is the primary rationale for the Commission allowing an SRM for other water utilities. Furthermore, the Commission should refrain from approving an

[2] One CCF is approximately 748 gallons

additional alternative ratemaking mechanism that allows unnoticed rate increases to occur outside of general rate cases and decrease transparency.

3. OPERATIONS AND MAINTENANCE EXPENSES

The Commission should adopt TY 2019/2010 total O&M expenses of $10,466,189. This amount better reflects historical trends and actual operations.

4. ADMINISTRATIVE AND GENERAL EXPENSES

The Commission should approve an Administrative and General expense total of $2,343,014 for TY 2019/2020. This amount is a better estimate of reasonable increases in administrative costs and necessary ratemaking adjustments to account for transactions with affiliated companies.

5. PAYROLL

The Commission should adopt $2,591,447 in total payroll costs for TY 2019/2020. This amount is $133,724 less than GOWC's forecast and reflects more reasonable expectations of salary increases and necessary overtime.

6. UTILITY PLANT IN SERVICE

The Commission should adopt GOWC's proposed capital budgets of $2,223,573 for 2018/2019, $2,255,533 for 2019/2020, and $1,763,646 for 2020/2021. The following are additional recommendations pertaining to utility plant and safe and reliable service.

- GOWC's proposed replacement of its fixed-asset management hardware and software should incorporate a system where every capital project is assigned a unique project identifier.
- To ensure that GOWC maintains adequate investment in necessary infrastructure, the Commission should order GOWC to produce in its next GRC a detailed and comprehensive asset management plan that meets industry best practices.

- To further ensure the safety and reliability of GOWC operations, the Commission should order GOWC to complete both its unfinished Emergency Response and Cross Connection Control Plans within ninety days of the final decision in this proceeding.
- To improve the safety of its existing operations, the Commission should order GOWC to achieve continuous disinfection of its entire system prior to the next GRC. In order to cover the additional expenses associated with this recommendation, the Commission should increase GOWC's proposed expense budgets by $100,000 for Test Year 2019/2020 and Escalation Year 2020/2021.

7. TAXES OTHER THAN INCOME

The Commission should adopt Taxes Other Than Income amounts totaling $454,573 for TY 2019/2020. The Public Advocates Office follows the same methodology in calculating Taxes Other Than Income amounts for TY 2019/2020 as GOWC. The differences in GOWC's proposed and the Public Advocates Office's recommended amounts of Taxes Other Than Income are due to the differences in utility plant and payroll amounts.

8. INCOME TAXES

- The Commission should deduct the 2018/2019 adopted California Corporate Franchise Tax (CCFT) amount in calculating Federal Income Taxes (FIT) amount for TY 2019/2020. This results in GOWC's proposed revenue requirements being reduced by $49,593.
- The Commission should utilize weighted average interest rate 1.95% to calculate the rate making interest tax deduction for CCFT and FIT

amounts calculation.[3] This adjustment adds approximately $19,778 to GOWC's proposed revenue requirements.

9. RATE BASE

- The Commission should order GOWC to record an excess tax reserve amount of $496,617 as a regulatory liability that is deducted from Rate Base and refunded to ratepayers through annual amortization.
- The Commission should order GOWC to refund $14,474 of excess tax reserves each year to ratepayers starting TY 2019/2020.
- The Commission should order GOWC to record $82,416.75 in the Tax Cuts and Jobs Act Memorandum Account, refund the amount in the current GRC period and close the memo account.
- The Commission should authorize allowance for working cash of $1,070,239 for TY 2019/2020, $1,157,311 for 2020/2021, and order GOWC to calculate working cash amounts based on detailed lead lag study in future GRCs.

10. BALANCING AND MEMORANDUM ACCOUNTS

- **Pension Expense Balancing Account (PEBA) –** The Commission should not approve modifications to the operable language of GOWC's PEBA since GOWC did not provide proposed new language in the application nor through discovery.
- **Conservation Lost Revenue Memorandum Account –**
  - The Commission should adopt the balance of this account at $2,576,064 as of February 28, 2018. This amount is the reconciliated

[3] GOWC and Public Advocates Office have agreed to adopt 30% debt ratio with 6.5% debt cost for the COC proceeding A.18-05-001 and have submitted a joint motion to adopt the settlement. As of 10/22/2018, the Commission has not issued its decision.

balance of two different versions of workpapers provided by GOWC in 2015 general rate case (GRC) and the current GRC.

  - The Commission should adopt the remaining balance net of excess usage surcharges at $815,651 and refund this balance to the ratepayers.
  - The Commission should close the Conservation Lost Revenue Memorandum Account since the drought emergency which was the justification for its creation is no longer applicable.

- **New Credit Card Pilot Program Memorandum Account –**
  - The Commission should approve a Memorandum account instead of GOWC's requested balancing account. This memorandum account should track all related costs and be credited with $51,976 annually which is the amount included in revenue requirements for this program.
  - The Commission should also close the existing "Credit/Debit Card Cost and savings Memorandum Account" approved under Resolution W-4979. This account has not tracked any revenues or expenses and has been inactive since January 2016.

11. CONTAMINATION PROCEEDS MEMORANDUM ACCOUNT

The Commission should allocate net proceeds recorded in GOWC's Contamination Proceeds Memorandum Account in a shareholder-ratepayer ratio no larger than that adopted for California Water System Company (CWS) in A.15-07-015.

CHAPTER II: RESULTS OF OPERATIONS AND ATTRITION

A. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission utilized the Results of Operation ("RO") Model provided by GOWC in its Application workpapers to develop the RO Tables presented in this Report. The Public Advocates Office adjusted the necessary cells in the GOWC RO Model to reflect the recommendations presented in each chapter of this testimony.

B. SUMMARY OF RECOMMENDATIONS

- The Commission should require GOWC, in its future General Rate Cases, to calculate the percentage increase from present rate revenue to proposed rate revenue based on authorized rates, including tiered rates, and estimated water sales for all classes, including tiered customers.
- The Commission should require GOWC to calculate rate base for the second escalation year (i.e. the third year of the GRC cycle) in accordance with the Rate Case Plan.
- The Commission should update GOWC's RO Model with the current 8.15% Rate of Return (ROR) as agreed upon in the recently submitted settlement in the Cost of Capital proceeding A.18-05-001.
- The Commission should require GOWC to file escalation year step filings if such filings would result in a rate decrease.

C. DISCUSSION

1. GOWC NEITHER CALCULATES PRESENT RATE REVENUE FOR TY 2019/2020, NOR UTILIZES PROPOSED RATES CORRECTLY IN CALCULATING PROPOSED RATE REVENUE FOR TY 2019/2020

In its Application, GOWC does not calculate present rate revenue to compare with revenue at proposed rates. This comparison is necessary to calculate the proposed percentage increase in revenues. GOWC also does not calculate proposed rate revenue based on actual proposed rates, especially proposed tiered rates for single family residence. Instead, GOWC utilizes uniform quantity rates to estimate proposed rate revenue which can yield estimated revenues either greater or less than the revenue needed to achieve revenue requirements. The Public Advocates Office estimates that GOWC's proposed rate design would likely result in more than $4 million of additional revenue being collected from single family customers than the revenue GOWC has calculated using uniform quantity rates.[4]

2. GOWC'S CALCULATION OF AN 18.18% REVENUE INCREASE IS INCORRECT

In the current GRC Application, GOWC requests a revenue requirement of $22,629,058 for TY 2019/2020, which GOWC presents as an increase of $3,480,305 or 18.18% over the estimated revenue of $19,148,753 in GOWC's Advice Letter ("AL") 271-W filing. However, GOWC utilizes different water consumption forecasts and different estimated costs for variable expenses to calculate the total revenue for 2019/2020 in the AL 271-W. The two most important calculations in a rate case are the estimated costs (i.e. revenue requirement) and the ability to meet those costs under

[4] Refer to Chapter III, Rate Design Section, of this Report. A significant portion of the overall decrease in rates recommended by The Public Advocates Office for single family residence is the result of corrections in rate design in order to achieve revenue neutrality which is not reflected in GOWC's rate design model.

present and proposed rates. Since GOWC does not utilize present rates and estimated customers and water sales in calculating present rate revenue for TY 2019/2020, GOWC's percentage increase of 18.18% presented on the cover of its application is overstated. Comparing present rate revenue likely to be collected using GOWC's water consumption forecasts and actual present rates with the revenue necessary to meet GOWC's proposed revenue requirement produces a percentage difference of 16.66%. The Commission should order GOWC to calculate the revenue percentage increase by comparing present rate revenue to proposed rate revenue based on authorized rates, including tiered rates, and estimated water sales for all customer classes in all future GRCs.

3. GOWC'S PROPOSED RATES WILL LIKELY PRODUCE EXCESS REVENUE THAT IS NOT NECESSARY TO MEET REVENUE REQUIREMENTS

Although the Public Advocates Office calculates GOWC's application proposals as producing an approximate 16.66% increase from present rate revenue to proposed rate revenue, GOWC's proposed rate design is likely to produce revenue higher than the revenue necessary to cover GOWC's revenue requirement.[5] GOWC calculates revenue under proposed rates using uniform quantity rates for single-family residential customers and not the actual tiered rates GOWC proposes in its rate design. Using the actual proposed rates to calculate revenue under proposed rates serves as a useful check on the revenue neutrality of a rate design.[6]

To maintain consistency with GOWC's RO model, the Public Advocates Office also uses uniform quantity rates in calculating proposed rate revenues. However, the actual tiered rates that would be necessary to meet either GOWC's or the Public

[5] As explained by Mr. Tony Tully of the Public Advocates Office in Chapter III of this Report GOWC's rate design would likely over-collect approximately $4 million from single-family residential customers.
[6] A "revenue neutral" rate design is calculated to produce the same nominal amount of revenue as estimated revenue requirement.

Advocates Office's estimated revenue requirements would be different than the actual tiered rates that GOWC has proposed. As detailed in the Chapter III (Revenue & Rate Design Section) of this Report, the tiered rates that GOWC has proposed would likely result in revenue collected being $4 million more than the revenue needed to meet revenue requirements.[7]

4. THE COMMISSION SHOULD REQUIRE GOWC TO CALCULATE RATE BASE FOR SECOND ESCALATION YEAR 2021/2022 BY FOLLOWING THE RATE CASE PLAN.

GOWC's RO Model does not follow the Rate Case Plan ("RCP") in calculating rate base for the year 2021/2022. The RCP states, "the attrition allowance methodology provides for rate base additions in year 3 by adding the difference between test year 1 and test year 2 rate bases to the test year 2 rate base. Depreciation expense is handled in the same way."[8] GOWC's RO Model does not reflect this formulaic calculation. Instead, GOWC's RO Model estimates rate base for 2021/2022 by separately forecasting each of the rate base items. GOWC's proposal is contrary to the RCP; hence, the Commission should order GOWC to estimate rate base for the second escalated year in accordance with RCP guidelines in future GRCs.

5. THE COMMISSION SHOULD UPDATE GOWC'S RO MODEL WITH THE CURRENT 8.15% RATE OF RETURN AS AGREED UPON IN THE RECENTLY SUBMITTED SETTLEMENT IN THE COST OF CAPITAL PROCEEDING A.18-05-001

GOWC's RO Model utilizes a 9.10% Rate of Return ("ROR") in calculating return on rate base.[9] The Commission should utilize an 8.15% ROR, as agreed upon in

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[7] Refer to Chapter III, Rate Design Section. A significant portion of the overall decrease in rates recommended by the Public Advocates Office for single family residence is the result of corrections in rate design in order to achieve revenue neutrality which is not reflected in GOWC's rate design model.
[8] See footnote 6 on p. 15 of D.04-06-018
[9] Decision ("D.")13-05-027 authorized 9.10% Rate of Return to GOWC.

the recently submitted settlement in the Cost of Capital proceeding A.18-05-00, to determine the required return on GOWC's rate base in the current GRC.

6. THE COMMISSION SHOULD REQUIRE GOWC TO FILE ESCALATION YEAR STEP FILINGS IF SUCH FILINGS WOULD RESULT IN A RATE DECREASE

The Commission should require GOWC to file 2020/2021 and 2021/2022 escalation year filings, and provide customer notice thereof, if those filings would result in rate decreases. The RCP for Class A Water Utilities directs the Commission's decisions for GRC to include standard ordering paragraphs providing for the option to submit escalation year increases filings subject to an earnings test (an analysis of the utility's pro-forma rate of return).[10] However, neither the RCP in general nor this standard language supplied in the RCP requires GOWC to file step filings to revise revenue requirement and tariff schedules if that would result in a decrease in rates. Making this a requirement would benefit ratepayers in situations where GOWC's recorded rate base is less than GOWC's authorized rate base since step filings require the use of *recorded* rate base in the company's earnings test.[11] This earning's test calculation is then used to determine whether a rate increase or decrease is justified.[12] In practice, all other things being equal, if a utility's recorded rate base during the earning's test period is significantly less than the authorized rate base for that year, the pro-forma rate of return will most likely be higher than the authorized rate of return and the utility will not be able to take the full estimated step increase for the upcoming year. If the utility has

[10] D.07-05-062, at A-13.

[11] Recorded rate base is considered in the Step Increase filings as a component of the calculation of the Pro Forma Rate of Return. DWA's October 19, 1993 letter entitled "Appropriate Method for Determining Pro-Forma Rate of Return (Revised)" states: "The correct ratebase calculation should be based on the recorded 13-month weighted average of the rate base components." This 1993 letter is included in the 1995 memo entitled "New Procedures for Filing Step Increase, Attrition, and Offset Advice Letters," and referenced as "describ[ing] the pro-forma process in more detail."

[12] D.07-05-062, at A-13.

significantly over-earned in the earnings test period, it may result in a calculated rate decrease for the upcoming year.

Because GOWC can file step *increase* filings, it is reasonable to require step *decrease* filings.

For the reasons stated above, the Commission should require GOWC to file Step filings if those filings would result in a decrease in rates.

D. CONCLUSION

The Commission should order GOWC to:

- Calculate percentage increase from present rate revenue to proposed rate revenue based on authorized rates, including tiered rates in future GRCs. The present rate revenue should be calculated by utilizing authorized present rates, including tiered rates, and estimated customers and water sales for test year.
- Calculate rate base for the second escalation year by following the Rate Case Plan.
- Utilize a 8.15% Rate of Return to calculate required return on rate base.
- File escalation year step filings if such filings would result in a rate decrease.

CHAPTER III: OPERATING REVENUES, RATE DESIGN AND LICAP

A. INTRODUCTION

This section presents the Public Advocates Office's analysis and recommendations on customer growth, water consumption, rate design, operating revenues and a Sales Reconciliation Mechanism special request of GOWC. The Public Advocates Office performed a review of GOWC's testimony, supporting work papers, and its method for estimating water consumption and operating revenue.

B. SUMMARY OF RECOMMENDATIONS

The Commission should adopt the following recommendations concerning customer forecast, water consumption, rate design, operating revenues, and Sales Reconciliation Mechanism:

- **Customer Count Forecast -** The Commission should authorize an annual total customer growth of 156 customers per year for TY 2019/2020, escalation year 2020/2021 and attrition year 2021/2022 as shown in Table III-6. Growth of 156 customers per year is consistent with historical trends.
- **Water Consumption Forecast** - GOWC's updated total water forecast of 4,302,770 CCF[13] for TY 2019/2020 is reasonable based on historical trends and adoption of a four-tier rate design. However, the Commission should adopt a more accurate customer usage per classification allocation as shown in Table III-11.
- **Unaccounted for Water Forecast** - GOWC's Unaccounted for Water forecast of 7.20 percent for fiscal TY 2019/2020 is reasonable; however, GOWC should implement measures to reduce water losses.

[13] One CCF is approximately 748 gallons

- **Rate Design** – The Commission should adopt a four-tiered rate structure with 50 percent of fixed costs included in the quantity charge. The tier structure and rates are shown in Option 2 of Table III-14. The design is revenue neutral, provides incentives for high water users to conserve, and keeps rates low for LICAP customers.
- **Operating Revenues** – The Commission should adopt $18,878,336 in total Operating Revenues. This includes a total of $4,243,042 for Service Revenues (Service Revenues include 50 percent of fixed costs, $76,515 for Private Fire Protection Revenues and $0 for Other Revenues), and a total of $14,635,294 for Usage Revenues (Usage Revenues include 100 percent of variable costs and 50 percent of fixed costs).
- **Sales Reconciliation Mechanism** - The Commission should reject GOWC's request for an SRM. GOWC fails to provide analysis and information to make a showing that the proposals are well-calculated. GOWC does not currently have a full WRAM which is the primary rationale for the Commission allowing an SRM for other water utilities. Furthermore, the Commission should refrain from approving an additional alternative ratemaking mechanism that allows unnoticed rate increases to occur outside of general rate cases and decrease transparency.

C. DISCUSSION

1. CUSTOMER COUNT FORECAST

The analysis in this section covers GOWC's forecast of customer counts by classification and by meter size.

a) Customer Count by Customer Classification

Customer projections for the Test Year 2019/2020 and two subsequent years covered by this application are provided in GOWC's workpapers.[14] GOWC's customer growth projections are based on an average change in customer count over a nine-year period (2007/2008 to 2016/2017), with adjustments to correct for known development within GOWC's service area, as shown in Table III-1.

Table III-1: GOWC Average Customer Growth Per Year 2007/2008 to 2016/2017[15]

Customer Class	Avg. New Customers	GOWC Adjustment	Rationale for Adjustment	Growth Forecast
Single-Family Residential	55	0	Currently, no large single-family residential housing developments are planned.	55
Multi-Family Residential	15	-11	Only 12 multi-family residential housing developments have been built since 2014/2015 and no large growth expected.	4
Business	-1	0	N/A	-1
Industrial	1	0	N/A	1
Public Authority	-1	0	N/A	-1
Schools	1	-1	No new schools are planned.	0
Private Landscape Irr.	7	0	N/A	7
Agriculture	0	0	N/A	0
Total	**77**	**-12**		**65**

GOWC applies the average annual growth rate to the projected base fiscal year 2017/2018 customer totals and projects forward to fiscal TY 2019/2020, escalation year 2020/2021 and attrition year 2021/2022 as shown in Table III-2.[16]

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[14] A.18-07-002, *Exhibit D Report on Results of Operations*, *Exhibit 4-1 Water Sales Forecast*, Tab "Customers", report titled *Customers per Class Historic and Projected*.

[15] A.18-07-002, *Exhibit D Report on Results of Operations*, *Exhibit 4-1 Water Sales Forecast*, Tab "Customers", report titled *Customers per Class Historic and Projected*, Rows 28 to 38. Note that GOWC's growth forecast for Industrial is positive 1, yet the GOWC methodology calculation from *Updated Chapter 4 Water Sales Forecast, Updated Exhibit 4-1* resulted in negative 1.

[16] Updated *Exhibit E GRC Workpapers,* tab "WP11-Customers".

Table III-2: GOWC Customer Count Forecast[17]

Customer Class	Base Year 2017/2018	Projected Growth	Projected 2018/2019	Forecasted Avg. Annual Growth	Test Year 2019/2020	Escalation Yr. 2020/2021	Attrition Yr. 2021/2022
Single-Family Residential	19,926	10	19,936	55	19,992	20,047	20,102
Multi-Family Residential	609	4	613	4	617	621	625
Business	287	-5	282	-1	282	280	279
Industrial	54	-1	53	-1	52	51	50
Public Authority	147	-1	146	-1	145	144	143
Schools	44	0	44	0	44	44	44
Private Landscape Irr.	231	7	238	7	245	252	259
Agriculture	6	0	6	0	6	6	6
Total Customers	**21,304**	**14**	**21,318**	**65**	**21,382**	**21,445**	**21,508**

1) Rules Governing Forecasting Customer Counts

The Rate Case Plan for Class A Water Utilities (D.07-05-062) recommends the following methodology for forecasting the number of customers:

> *Forecast customers using a five-year average of the change in the number of customers by customer class.* [18]

2) Errors in GOWC Customer Growth Forecast Methodology Result in Substantial Undercounting

In reviewing GOWC's customer count forecast, significant issues were found in the methodology and data. Those issues include:

- GOWC added four additional years (2007/2008 to 2011/2012) to the five years of annual customer count totals recommended by the Rate Case

[17] Totals may be slightly different due to rounding. GOWC Industrial forecast of -1 is inconsistent with its water sales forecast workpapers and methodology which total +1.
[18] D.07-05-062, page A-23, footnote 4.

Plan. Those additional five years include adjustments for reclassified customers[19] that skew historical averages.

- GOWC's growth forecast is significantly less than the historical five-year average.[20]
- GOWC's fiscal year 2018/2019 growth projection of only 14 total additional customers is unreasonably lower than the five-year average.[21]
- GOWC's customer growth rate methodology results in an additional Industrial customer but is shown as a decrease of an Industrial customer in the workpapers.[22]

Comparing GOWC's forecast from the last GRC for TY 2016/2017[23] to the actual recorded numbers provided in the Application workpapers in this GRC for that same period,[24] as shown in Table III-3, reveals inaccuracies in GOWC's methodology resulting in a total of 270 fewer customers than recorded for TY 2016/2017. The Fiscal Year 2017/2018 forecast was also under estimated and the cumulative difference grew to 371 customers.[25]

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[19] The Public Advocates Office sent the data request *A1807002 GOWC GRC TY 2019 ORA Data Request No. 005 – Rate Design and Low Income* asking GOWC, in question 5.2 (a through f), to explain why some customer count annual change totals (specific cells were identified in the DR) were in consistent with other years. *GOWC Response to ORA-005*, responses 5.2 a through f, basically stated that was the way they added up with no explanation why. Later, GOWC response to 13.1b of GOWC Response to Cal PA-013 noted that changes to classifications were made and customers were moved from one class to another. This reclassification caused totals to increase or decrease in noted customer classifications making them inconsistent with previous year totals.

[20] GOWC noted limited growth potential in area, but trends over the last five years show otherwise. See *Updated Exhibit E GRC Workpapers*, tab "Customers".

[21] *Updated Exhibit E GRC Workpapers*, tab "Customers".

[22] See *Updated Exhibit 4-1 Repaired*, tab "Customers", cell B33 and *Updated Exhibit E GRC Workpapers*, tab "WP11-Customers" cell K27.

[23] A.15-07-001, *Exhibit E GRC Workpapers*, tab "WP11 – Customers".

[24] A.18-07-002 *Exhibit E GRC Workpapers*, tab "WP11 – Customers".

[25] A.18-07-002 *Updated Exhibit E GRC Workpapers*, tab "WP11 – Customers".

Table III-3: Comparison of GOWC Projected and Recorded TY 2016/2017 Customer Totals[26]

Customer Class	Total Customer Forecast 2016/2017	Total Customers Recorded 2016/2017	Difference of Projected from Actuals
Single-Family Residential	19,598	19,831	233
Multi-Family Residential	598	609	11
Business	311	276	-35
Industrial	42	54	12
Public Authority	157	147	-10
Schools	34	44	10
Private Landscape Irr.	182	231	49
Agriculture	6	6	0
Total Customers	**20,928**	**21,198**	**270**

The errors in GOWC's annual forecasted change, or growth rate, resulted in only five additional single-family residences each fiscal year and zero growth in all other customer classifications. As shown in Table III-4, the GOWC change for 2016/2017 was under forecasted by 202 customers (over 40 times more than projected). Large inaccuracies in GOWC's forecasting date back to years 2013/2014 to 2014/2015.[27]

Table III-4: Comparison of GOWC Forecasted and Recorded TY 2016/2017 Change in Customer Totals [28]

Customer Class	Annual Change Forecasted TY 2016/2017	Annual Change Recorded 2016/2017	Difference Forecasted from Actuals
Single-Family Residential	5	185	180
Multi-Family Residential	0	2	2
Business	0	12	12
Industrial	0	2	2
Public Authority	0	0	0
Schools	0	1	1
Private Landscape Irr.	0	4	4
Agriculture	0	1	1
Total Customers	**5**	**207**	**202**

[26] A.18-07-002, *Updated Exhibit E GRC Workpapers*, tab "WP11 – Customers."
[27] A.15-07-001, *Exhibit E GRC Workpapers*, tab "WP11 – Customers" and A.18-07-002, *Updated Exhibit E GRC Workpapers*, tab "WP11 – Customers".
[28] A.18-07-002, *Exhibit E GRC Workpapers*, tab "WP12 – Customers".

3) Customer Count Forecast Should be Based on the Rate Case Plan Methodology of a Five-Year Average

Using the 5-year average of the change in customers by customer class, as recommended in the Rate Case Plan, provides a more accurate methodology for determining annual change in the customer count forecast for customer classifications (see Table III-5). In addition, the Commission should account for the following:

- Use only recorded numbers
- Use end of fiscal year, June 30th, recorded customers counts per customer class
- Use the last recorded year of 2017/2018 as base year
- Adjust the authorized fiscal year 2018/2019 counts to be consistent with the forecasted customer growth average

Table III-5: Five-Year Average Change in Annual Customer Count[29]

Customer Class	5-Year Avg Change	Adjustment	Rationale for Adjustment	Forecasted Growth
Single-Family Residential	137	0	N/A	137
Multi-Family Residential	3	0	N/A	3
Business	1	2	Removed years impacted from reclassifications on July 1, 2014[30]	3
Industrial	3	-1		2
Public Authority	-3	2		-1
Schools	2	-1		1
Private Landscape Irr.	11	0	N/A	11
Agriculture	0	0	N/A	0
Total	**154**	**2**		**156**

Starting with the recorded customer count of fiscal year of 2017/2018, as shown in Table III-6, the average annual changed is added to project the fiscal year 2018/2019 customer count. The same is done going forward to forecast each year until attrition year

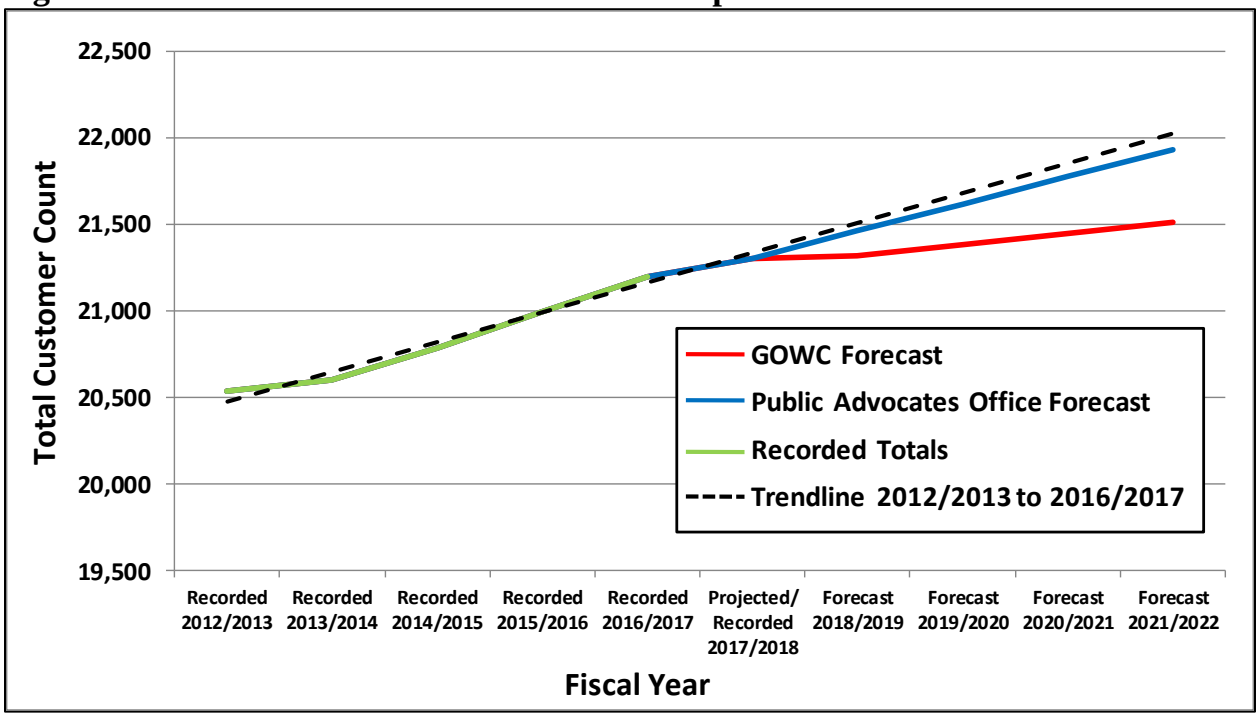
[29] *Updated Exhibit E GRC Workpapers*, tab "WP12 – Customers".
[30] *GOWC Response to Cal-PA-013*, response 13.1b.

2021/2022. The subsequent outcome of total customer counts reveals a more consistent trend with historical data in comparison to GOWC's forecast, as shown in Figure III-1.

Table III-6: Customer Count Forecast Based on Rate Case Plan Methodology[31]

Customer Class	Recorded 2017/2018	Annual Growth	Projected 2018/2019	Forecasted Test Year 2019/2020	Forecasted Escalation Year 2020/2021	Forecasted Attrition Year 2021/2022
Single-Family Residential	19,926	137	20,063	20,200	20,337	20,474
Multi-Family Residential	609	3	612	615	618	621
Business	287	3	290	293	296	299
Industrial	54	2	56	58	60	62
Public Authority	147	(1)	146	145	144	143
Schools	44	1	45	46	47	48
Private Landscape	231	11	242	253	264	275
Agriculture	6	-	6	6	6	6
Total Customers	**21,304**	**156**	**21,460**	**21,616**	**21,772**	**21,928**

Figure III-1: Customer Count Forecasts in Comparison to Trend [32]



[31] Recorded 2017/2018 customer count from *Updated Exhibit E GRC Workpapers*, tab "WP12 – Customers". Numbers may vary slightly due to rounding.
[32] *Updated Exhibit E GRC Workpapers*, tab "WP12 – Customers".

4) The Commission Should Adopt the Public Advocates Office Customer Count by Classification Forecast

The Commission should adopt the annual customer growth as shown in Table III-6. The Public Advocates Office follows the methodology recommended in the Rate Case Plan and its outcomes are more consistent with historical trends.

b) Customer Count by Meter Size

Issues encountered with the customer counts per classification can also be found in the customer counts per meter size. Additional issues include:

- The customer count per meter size did not match the customer count per classification in the workpapers.[33]
- GOWC did not provide a consumption forecast for Agriculture customers despite an increasing trend of customers and usage.
- The forecasted ratio of customers per meter size did not match the historical five-year average.

A reasonable TY 2019/2020 forecast of customers per meter size per classification can be determined as a ratio of customer counts per customer classification based on the last recorded data in fiscal year 2017/2018. Table III-7 lists the last recorded customer counts as of 2017/2018, Table III-8 provides the ratios per customer class and meter size based on Table III-7, and Table III-9 presents the TY 2019/2020 forecasted distribution of customers per meter size based on the customer classification forecast.

[33] *Update Exhibit E GRC Workpapers*, tab "WP46 – 2019/2020 Customers & Srvc" cells C24 and G21. There is a difference of 357. 338 relates to Private Fire Service, but the remaining 19 are unaccounted for. Although some customers, such as multi-family residential, may have multiple meters per customer, any difference in counts would reflect a higher number of metered services than customer counts per classification. GOWC's forecast showed just the opposite.

Table III-7: Recorded 2017/2018 Customer Count by Meter Size and Classification[34]

Meter Size	Single-Family Residential	Multi-Family Residential	Business	Industrial	Public Authorities	Schools	Private Landscape	Agriculture	Total
5/8 x 3/4-inch	5,936	37	69	1	7	0	7	0	6,057
3/4 Inch	13,262	118	14	0	5	2	6	3	13,410
1 Inch	642	239	34	3	14	0	36	0	968
1.5 Inch	77	58	39	3	22	6	73	2	280
2 Inch	8	110	110	41	67	14	107	1	458
3 Inch	1	17	9	4	21	10	2	0	64
4 Inch	0	14	11	1	10	9	0	0	45
6 Inch	0	5	1	1	1	3	0	0	11
8 Inch	0	8	0	0	0	0	0	0	8
10 Inch	0	3	0	0	0	0	0	0	3
12 Inch	0	0	0	0	0	0	0	0	0
14 Inch	0	0	0	0	0	0	0	0	0
Total	**19,926**	**609**	**287**	**54**	**147**	**44**	**231**	**6**	**21,304**

Table III-8: Ratios of Recorded 2017/2018 Customer Count by Meter Size and Classification[35]

Meter Size	Single-Family Residential	Multi-Family Residential	Business	Industrial	Public Authorities	Schools	Private Landscape	Agriculture
5/8 x 3/4-inch	29.8%	6.1%	24.0%	1.9%	4.8%	0.0%	3.0%	0.0%
3/4 Inch	66.6%	19.4%	4.9%	0.0%	3.4%	4.5%	2.6%	50.0%
1 Inch	3.2%	39.2%	11.8%	5.6%	9.5%	0.0%	15.6%	0.0%
1.5 Inch	0.4%	9.5%	13.6%	5.6%	15.0%	13.6%	31.6%	33.3%
2 Inch	0.0%	18.1%	38.3%	75.9%	45.6%	31.8%	46.3%	16.7%
3 Inch	0.0%	2.8%	3.1%	7.4%	14.3%	22.7%	0.9%	0.0%
4 Inch	0.0%	2.3%	3.8%	1.9%	6.8%	20.5%	0.0%	0.0%
6 Inch	0.0%	0.8%	0.3%	1.9%	0.7%	6.8%	0.0%	0.0%
8 Inch	0.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10 Inch	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12 Inch	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
14 Inch	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100.0%**

[34] *GOWC Response to Cal PA-013*, page 3.
[35] Do to rounding, the totals may vary slightly.

Table III-9: TY 2019/2020 Forecasted Customer Count by Meter Size Based on Customer Classifications Forecast and Last Recorded Ratios

Meter Size	Single-Family Residential	Multi-Family Residential	Business	Industrial	Public Authorities	Schools	Private Landscape	Agriculture	Total
5/8 x 3/4-inch	6,018	37	70	1	7	0	8	0	6,141
3/4 Inch	13,444	119	14	0	5	2	7	3	13,594
1 Inch	651	241	35	3	14	0	39	0	983
1.5 Inch	78	59	40	3	22	6	80	2	290
2 Inch	8	111	112	44	66	15	117	1	474
3 Inch	1	17	9	4	21	10	2	0	65
4 Inch	0	14	11	1	10	9	0	0	46
6 Inch	0	5	1	1	1	3	0	0	11
8 Inch	0	8	0	0	0	0	0	0	8
10 Inch	0	3	0	0	0	0	0	0	3
12 Inch	0	0	0	0	0	0	0	0	0
14 Inch	0	0	0	0	0	0	0	0	0
Total	**20,200**	**615**	**293**	**58**	**145**	**46**	**253**	**6**	**21,616**

1) The Commission Should Adopt the Customer Count by Meter Size Forecast Based on Ratios from the Last Recorded Customer Count

The Commission should adopt the annual customer count by meter size forecast as shown in Table III-9. The recommendation is based on the Rate Case Plan customer count forecasting methodology in addition to allocating customer counts per meter size based on the last recorded annual counts. This methodology results in additional annual revenue of $66,420 at present rates and lowers the total requested increase in rates by an equivalent amount.[36]

[36] Using GOWC and Public Advocates Office's forecasted customers in place of 2018/2019 service charges using *Updated Exhibit E GRC Workpapers*, tab "WP36 – 2018-2019 Sales & Revn".

2. WATER CONSUMPTION FORECAST

The analysis in this section covers GOWC's forecast of water consumption. GOWC's total water consumption forecast for TY 2019/2020 is 4,302,770 CCF.[37] GOWC's consumption forecast per customer is shown in Table III-10.

Table III-10: GOWC Water Sales Forecast for Test Year 2019/2020[38]

Customer Class	Total Sales (CCF)	Projected Customers	Sales Per Customer (CCF)
Single-Family Residential	2,569,772	19,992	128.54
Multi-Family Residential	731,885	617	1,186.20
Business	229,411	281	816.41
Industrial	99,727	52	1,917.83
Public Authority	160,225	145	1,105.00
Schools	198,765	44	4,517.39
Private Landscape Irr.	312,985	245	1,277.49
Total Other	-	6	-
Total	**4,302,770**	**21,382**	

a) Rules Governing Water Sales Forecast

In D.04-06-018, the Commission adopted the New Committee Method for forecasting customer water consumption. The New Committee Method provides the following guidance:

- Use monthly data for 10 years, if available. If 10 years is not available, use all available data, but not less than five years of data. If less than five years of data is available, the utility and the Public Advocates Office will have to jointly decide on appropriate method to forecast the projected level of average consumption.
- Use 30-year average for forecasting values for temperature and rain.

[37] *Updated Exhibit E GRC Workpapers*, tab "WP3 – Water Sales CCF". The CCF amounts differ slightly from the workpapers due to rounding.
[38] *Updated Exhibit E GRC Workpapers*, tab "WP3 – Water Sales CCF".

- Remove periods from the historical data in which sales restrictions (e.g., rationing) were imposed or the Commission provided the utility with a sales adjustment compensation (e.g., a drought memorandum account), but replace with additional historical to obtain 10 years of monthly data, if available.
- Water sales for customer classes other than residential, multifamily and business (such as industrial, irrigation, public authority, reclaimed, and other) will be forecasted on total consumption by class using the best available data.

In D.16-12-026, the Commission ordered "Class A and B water utilities to bring forth proposals in their next GRC application to improve their forecasting methods to align rates to costs, and send timely conservation signals."[39] In addition, the Commission stated, "Those proposals shall provide analysis and information to make a showing that the proposals are well-calculated to meet this Decision's objectives, and shall be evaluated for their consistency with the principles adopted in this Decision."[40]

b) Review of GOWC's Water Usage Forecast

GOWC developed a new methodology in determining its water consumption forecast for TY 2019/2020. As noted in its Water Sale Forecast, "Great Oaks' water sales forecast for the Test Year are based upon water usage that is 20 percent less than 2013 water usage across all customer classes, with projected customer numbers based upon growth and limited development within Great Oaks' service area."[41] As further discussed below, GOWC's updated total water forecast of 4,302,770 CCF[42] for TY 2019/2020 is reasonable. However, the Commission should adopt a more accurate water usage percentage per customer classification.

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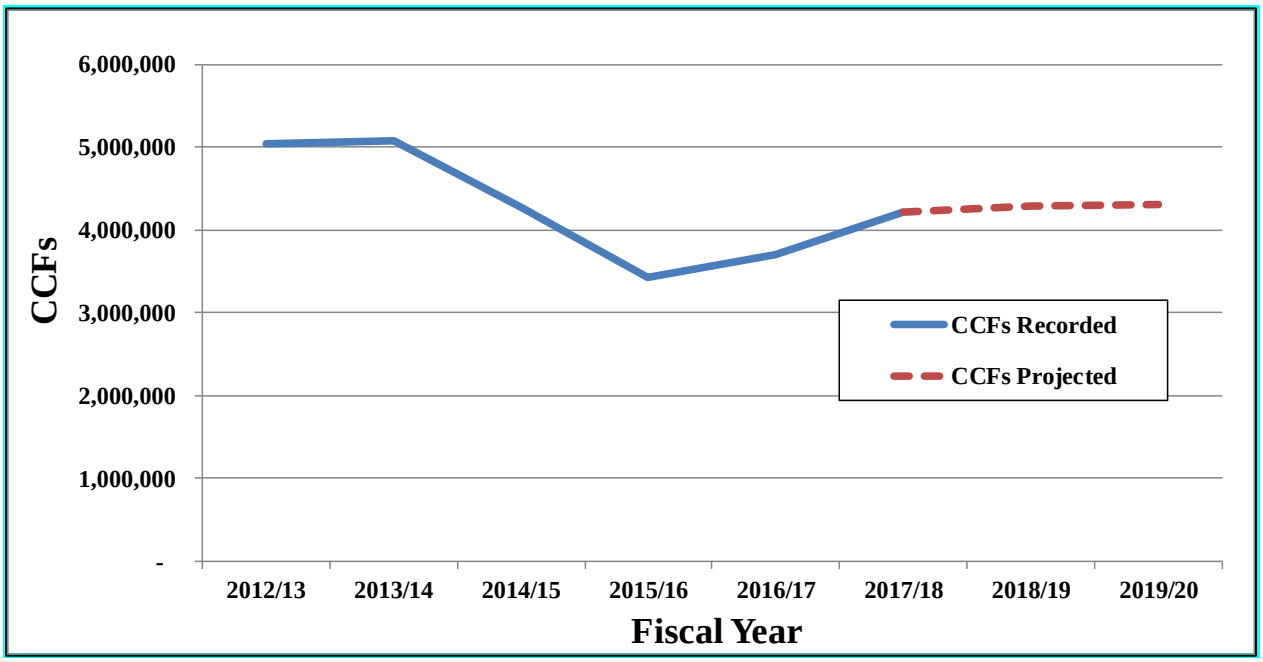
[39] D.16-12-026, page 31.
[40] D.16-12-026, page 32-33.
[41] *Exhibit D Report on Operations, Chapter 4 Water Sales Forecast*, page 6. Based on a recommendation by the SCVWD, GOWC's set a conservation goal to reduce all customer classification usage by 20 percent of 2013 usage.
[42] One CCF is approximately 748 gallons

1) The Commission Should Authorize GOWC's Total Water Consumption Forecast

GOWC's historical and forecasted annual water usage, as shown in Figure III- 2, illustrates an upward trend in the last two fiscal years with a decrease in that trend going forward into TY 2019/2020. While the increase in usage at the end of the drought is expected, it is not unreasonable that future water usage will flatten out as a new rate design is implemented (see the Rate Design section of this testimony).

Figure III-2: GOWC's Historical and Forecasted Total Waters Sales Per Year[43]



2) The Commission Should Adopt an Accurate Water Usage Percentage Per Customer Classification

While GOWC's methodology of reducing water usage by 20 percent is in line with the recommendations by the Santa Clara Valley Water District, it is not a reasonable methodology for determining water usage per customer classification. In the case of single-family residential customers, the number of people per household does not factor

[43] *Updated Exhibit E GRC Workpapers*, tab "WP3 – Water Sales CCF".

into GOWC's calculation. While reducing water usage from 160 CCF to 128 CCF may be easy for a household of one, it will be far more difficult for a family of four or more living in one household. In addition, GOWC reported its single-family residential usage at 87 gallons per capita per day (GPCD) in its June 2018 Supplier Conservation report to the State Water Resources Control Board.[44] This exceeds its SBX 7-7 2020 reduction target of 98 GPCD[45] by 11 percent.

A more accurate methodology for calculating customer usage per customer classification can be determined by first calculating the distribution ratio of water usage per classification, based on an average of the last three recorded years,[46] and applying those ratios to the total water usage forecast of 4,302,770 for TY 2019/2020 to get the total usage per customer classification. The results, multiplied by the forecasted customer counts for 2019/2020, will determine the customer usage per classification as shown in Table III-11.

Table III-11: Public Advocates Office TY 2019/2020 Water Usage Forecast[47]

Customer Class	Customer Count Distribution Avg. 2015/16 to 2017/18	Usage Per Customer Classification	Customer Counts	Customer Usage Per Classification
Single-Family Residential	55.6%	2,392,429	20,200	118.4
Multi-Family Residential	20.0%	862,370	615	1402.2
Business	8.0%	342,173	294	1167.8
Industrial	2.2%	94,306	57	1626.0
Public Authority	4.9%	212,534	146	1465.8
Schools	3.8%	164,587	45	3578.0
Private Landscape Irr.	5.4%	231,887	252	919.6
Agriculture	0.1%	2,483	7	413.8
Total	**100.0%**	**4,302,770**	**21,616**	

[44] Website: https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/docs/2018aug/supplierconservation_080718.xlsx, page 4.
[45] *Exhibit 3-5 2015 Urban Water Management Plan*, page 25.
[46] Three years were used instead of five years due to the changing water usage trend resulting from the end of water conservation mandates.
[47] Customer Count Ratio Average based on average ratio of total customer per classification from 2015/2016 to 2017/2018 and can be found in *Update Exhibit E GRC Workpapers*, tab WP3 – "Water Sales CCF".

3) GOWC's Unaccountable Water Forecast is Reasonable but Should Adopt Measures to Reduce Water Losses.

The Public Advocates Office does not oppose GOWC's Unaccounted-for Water forecast of 7.20 percent for fiscal TY 2019/2020, but urges GOWC to implement measures to reduce water losses.

In the last GRC, A.15-07-001, GOWC forecasted unaccounted-for water at 3.4 percent of total production. This amount was aggressive regardless of the expected reduction in water loss from the Meter Replacement Program. This is apparent from GOWC's Water Sales reports (see Table III-12), which showed a ten-year average of 6.41 percent water loss and GOWC's 2017 Water Loss Audit, which reported a loss of 7.14 percent.[48] GOWC's new water loss forecast is more realistic but bordering on the Rate Case Plan's threshold of 7 percent. GOWC is urged to take measures to reduce water losses.

Table III-12: GOWC Unaccounted for Water Annual Results and Projections[49]

Fiscal Year	Total Water Produced	Unaccounted for Water	Unaccounted for Water Percent of Total Produced
Recorded 2012/2013	5,425,834	388,481	7.16%
Recorded 2013/2014	5,261,177	176,940	3.36%
Recorded 2014/2015	4,354,374	79,825	1.83%
Recorded 2015/2016	3,748,661	326,256	8.70%
Recorded 2016/2017	3,979,676	279,921	7.03%
Projected 2017/2018	4,599,682	331,177	7.20%
Projected 2018/2019	4,606,011	331,633	7.20%
Test Year 2019/2020	4,612,797	332,121	7.20%
Escalation Year 2020/2021	4,635,473	333,754	7.20%
Attrition Year 2021/2022	4,656,458	335,265	7.20%
Average	**4,588,014**	**291,537**	**6.41%**

[48] A.18-07-002, *Report on the Results of Operations*, Exhibit 8-1, *2017 Water Loss Audit*.
[49] A.18-07-002, *Exhibit E GRC Workpapers*, tab "WP3 – Water Sales CCF".

c) The Commission should Authorize GOWC's Total Water Consumption Forecast but Adjust Allocation per Customer Class

The Commission should authorize GOWC's total water forecast of 4,302,770 CCFs for TY 2019/2020 but adjust the usage per customer classification allocation as recommended by the Public Advocates Office in Table III-11.

3. RATE DESIGN

At present, GOWC's rates are designed to collect 50 percent of fixed costs through the monthly service charge. All other costs, both fixed and variable, are currently recovered through the quantity charge.[50] GOWC proposes a new rate design that will recover 100 percent of fixed costs through the monthly service charge and 100 percent of variable costs through the quantity charge.[51]

GOWC is also proposing a change to its current rate tier structure. GOWC currently has a three-tiered rate structure that applies to single-family residential customers, as shown in Table III-13. Because GOWC bills single-family residential customers on a bi-monthly basis, GOWC's current and proposed tier structure is also based on bi-monthly usage. [52]

Table III-13: GOWC Current Bi-Monthly Tiered Rate Design

Tier	CCF Range	Rate
1	0 - 13	$2.6869
2	14 - 32	$2.9101
3	> 32	$3.3553

GOWC proposes to modify its tiered structure to include a low-usage tier, an average tier, a higher usage tier, and a fourth "superuser" tier as shown in Table III-14.[53]

[50] *Exhibit D Report on Results of Operation, Chapter 4 Water Sales Forecast*, page 13.
[51] A.18-07-002, *Exhibit D Report on Results of Operation, Chapter 4 Water Sales Forecast*, page 14-15.
[52] A.18-07-002, *Exhibit D Report on Results of Operation, Chapter 4 Water Sales Forecast*, page 15.
[53] *Updated Exhibit E GRC Workpapers*, tab "WP48-TY 2019-2020 Consrv Rates".

Table III-14: GOWC Proposed Bi-Monthly Tiered Rate Design

Tier	CCF Range	Rate
1	0 - 6	$1.5851
2	7 - 16	$3.1701
3	17 - 56	$4.7552
4 (Superuser)	> 56	$9.5103

a) Rules Governing Rate Design

All rates charged to customers by water utilities must be authorized by the CPUC. Once a utility's revenue requirement has been determined, a utility must propose what rates will be charged to customers to recover the revenue requirement. This is also referred to as revenue neutrality. Revenue neutrality helps ensure that any rate design adopted will achieve the same amount of revenue forecasted in the revenue requirement. If there is a difference between what revenue is recovered under a tiered rate design (also known as conservation rates) verses what would have been recovered under a uniform quantity rate (or flat rate), GOWC is authorized to capture that difference in memorandum and balancing accounts where over-collections are refunded back to ratepayers and under-collections are reimbursed to GOWC in the form of surcharges to ratepayers. This memorandum account authorized for GOWC is called a Monterey Style Water Revenue Adjustment Mechanism (M-WRAM). If proposed rates, when calculated, are found to generate significantly more or less revenues than what is needed to meet the revenue requirement, those rates would not be just or reasonable.[54]

[54] Public Utility Code 451 states, "All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful."

b) Analysis of GOWC's Proposal

1) GOWC Rate Design Proposal Does Not Achieve Revenue Neutrality

To ensure that a proposed rate design is achieving revenue neutrality, water companies must compare what is forecasted under the revenue requirement to what revenue would be achieved under the proposed rate design. GOWC uses a Uniform Quantity Rate when determining revenue neutrality instead of using its actual proposed rates. The Uniform Quantity Rate, which was established when water companies used a flat rate, is an estimate based on average usage (in this case GOWC's Tier 2 usage). But as tiered rates are applied in the single-family residential customer classification, quantity charges and revenues will vary. After running a revenue neutrality test using GOWC's actual proposed tiered rates for single-family residential customers, revenue neutrality is not achieved. As shown in Table III-15, GOWC's rate design would likely collect $12,183,692 in single-family residential revenues while the estimated single-family residential revenues needed to achieve the revenue requirement is $8,146,434.[55] This results in a $4,037,258 (50 percent) over collection from single-family residential customers.

[55] A.18-07-002, *Exhibit E GRC Workpapers*, tab "WP45 – TY 2019-2020 Sales & Rrn".

Table III-15: Single Family Residential Revenue Neutrality Calculation for GOWC TY 2019/2020 Forecast

GOWC TY 2019/2020 Forecasted Single-Family Residential Water Usage =				2,569,772
Tier Group	**Recorded FY 2017/2018 Usage Ratio[56]**	**Total CCF**	**Rate Per CCF**	**Revenue**
Tier 1	2.6%	66,152	$1.5851	$104,855
Tier 2	24.1%	619,817	$3.1701	$1,964,883
Tier 3	63.8%	1,640,657	$4.7552	$7,801,571
Tier 4	9.5%	243,145	$9.5103	$2,312,385
Total Single-Family Residential Revenue Collected Under GOWC Proposal				**$12,183,694**
Single-Family Residential Revenues Needed for Revenue Requirement				**$8,146,434**
			Total Over-Collection	**$4,037,260**
			% Over-Collection	**50%**

2) GOWC's Proposal would Increase WRAM Balances

While an objective of tiered rates is for "signaling conservation and reducing reliance on WRAM balances and surcharges,"[57] GOWC's proposed rates would achieve the opposite. As noted above, GOWC would be substantially over-collecting revenues. Over-collecting revenues, even if later refunded through the Monterey WRAM mechanism, still produces negative impacts on customers, including:

- Over collected WRAM balances equate to borrowing ratepayer money at little to no interest.
- A different group of future ratepayers, including Low-Income Customer Assistance Program (LICAP) customers, would be charged or refunded, aggravating temporal equity issues.

[56] Based on data provided from *GOWC Cal PA-014-14.1 and 14.2*, tab "All".
[57] D.16-12-026, Order Paragraph 13. Ordering Paragraph 14 further states, "Such proposals shall consider the impact of shifting revenue recovery to fixed costs on low-income customers and propose appropriate adjustments to low-income programs to maintain affordability and equity, while signaling conservation and reducing reliance on WRAM balances and surcharges."

3) GOWC's Aggressive Rate Design Is Not Needed in Achieving Conservation Goals

Based on a recommendation by the Santa Clara Valley Water District (SCVWD), GOWC's set a conservation goal to reduce all customer classification usage by 20 percent of 2013 usage.[58] Features of GOWC's rate design include an added fourth "Superuser" tier, a 50 percent reduction in the water usage caps in the first and second tiers, and an increase in each tier rate with exception of Tier 1. GOWC's last conservation status report in July of 2018[59] reported a single-family residential per capita usage of 87 GPCD; which is a 19.6 percent GPCD decrease from 2013. While water conservation fell just 0.4 percent short of the goals GOWC set[60] (which, in itself, is no reason for aggressive conservation measures), the single-family residential water sales mark of 87 GPCD far surpasses the 2020 statutory requirement of 98 GPCD by 11 percent. GOWC's conservation goals must remain reasonable.

4) GOWC's Proposal is Harmful to Low-Income Customers

D.16-12-026, Ordering Paragraph 12, states that "Class A and B water utilities that seek to adjust their current rate designs and take advantage of the flexibility proposed in this decision shall consider proposing in their General Rate Case applications, or in separate, standalone applications, adjustments to tiered rates to promote conservation, rate recovery, cost-based rates, and equity, providing analysis and a showing to allow the Commission to evaluate the likely effectiveness of those proposals." But, it adds that "Such rate design proposals shall propose mechanisms to provide reasonable customer rates and equity for low-income customers, particularly since low-income customers

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[58] *Exhibit D Report on Results of Operation, Chapter 4 Water Sales Forecast*, page 4.
[59] https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/docs/2018aug/supplierconservation_080718.xlsx
[60] It is unclear if GOWC is basing its reductions goals on customer usage or GPCD.

suffer from significant increases in water bills, while providing conservation incentives."[61] While GOWC is proposing to reduce its rates for Tier 1 customers, it also reduces the bi-monthly maximum quantity of water of Tier 1 usage from 13 CCF to 6 CCF. At the same time, all customers that exceed 6 CCFs of bi-monthly usage face an increase in rates in all other Tiers. GOWC's proposed tiered rate structure raises quantity rates for 42 percent of its LICAP customers that fall outside of the new Tier 1 water usage.[62] At the same time, GOWC is not proposing to change the LICAP benefits.[63]

c) Optional Alternatives to GOWC's Tier Structure

As an alternative to GOWC's rate design proposal, Table III-16 and Table III-17 list two options that are both revenue neutral.

Table III-16: Public Advocates Office Optional 1 Bi-Monthly Tiered Rate Structure

Tier Level	Range	Rates Per CCF	% Fixed Cost
Tier 1	0-6	$ 1.5851	100%
Tier 2	7-35	$ 2.3776	
Tier 3	36-56	$ 3.9626	
Tier 4	>56	$ 7.9253	

Table III-17: Public Advocates Office Optional 2 Bi-Monthly Tiered Rate Structure

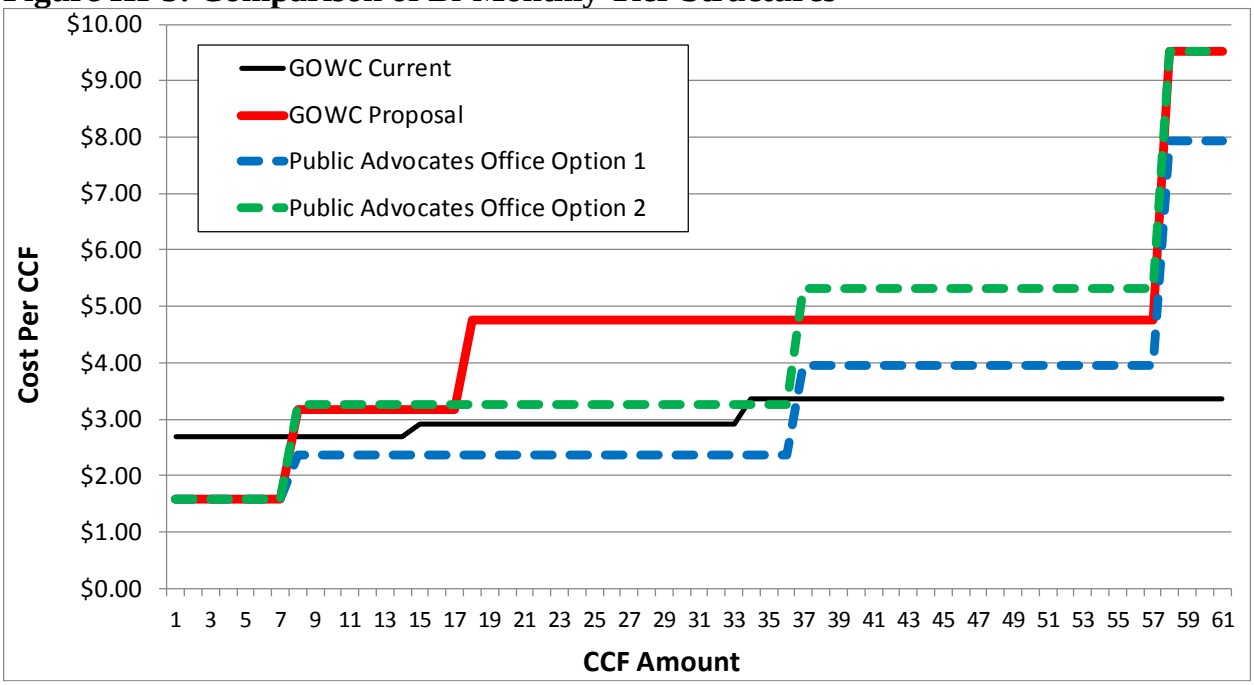
Tier Level	Range	Rates Per CCF	% Fixed Cost
Tier 1	0-6	$ 1.5851	50%
Tier 2	7-35	$ 3.2684	
Tier 3	36-56	$ 5.3258	
Tier 4	>56	$ 9.5103	

GOWC's current and proposed rate design compared to optional rate designs offered by the Public Advocates Office are illustrated in Figure III-3. For comparative analysis, all rate designs in Figure III-3 are based on meeting GOWC's TY 2019/2020

[61] This is also repeated in D.16-12-026, Ordering Paragraph 14.
[62] GOWC's proposed rates will increase rates for all but Tier 1. Tier 1 is composed of 58% of its LICAP customers per the frequency table provided in *GOWC Cal PA-014-14.1 and 14.2*.
[63] The LICAP customers receive a 50% discount on their service charge. There is no proposal to change the 50% discount to customers, but the total service charge discount would increase as a result of GOWC's proposal to include 100% of fixed costs in the service charge. Simultaneously, though, quantity charges will increase for all customer using greater than 3 CCFs a month.

proposed revenue requirement. While Figure III-3 illustrates a comparison of variable rates, note that GOWC's current rates and the Public Advocates Office's Tiered Rate Structure Option 2 (Option 2) also includes 50 percent of the fixed charges. The Public Advocates Office's final rate recommendations may vary based on meeting the final revenue requirement.

Figure III-3: Comparison of Bi-Monthly Tier Structures



5) Public Advocates Office Tiered Rate Structure Option 1

Like GOWC's proposed rate design, the Public Advocates Office Tiered Rate Structure Option 1 (Option 1) includes 100 percent of the fixed costs in the meter charge, mirrors the rate and tier width for Tier 1 and mirrors the maximum quantity usage for Tier 3 (i.e. the breakpoint at which "superuser" charges are assessed). The major differences with GOWC's rate design are that Option 1 expands the maximum Tier 2 breakpoint from GOWC's 16 CCF to 35 CCF and reduces the rate for all tiers but Tier 1. The significance of this is that while GOWC's Tiers 1 and 2 include 76 percent of all LICAP customers and 79 percent of customers overall, Option 1's Tiers 1 and 2 include

95 percent of all LICAP customers and 95 percent of customers overall. Unlike GOWC's rate design, Option 1 also provides revenue neutrality and is therefore less likely to result in over-collecting revenue and leading to a WRAM balance. While Option 1 is not as aggressive as GOWC's rate design, it still adds a "Superuser" Tier 4 and only increases rates for customers in Tier 3 and Tier 4 (which pertains to customers who exceed a bi-monthly usage greater than 36 CCF). It also sets a maximum Tier 1 quantity range of 3 CCF monthly which is consistent with the San Jose Water Company (SJWC) Tier 1 range[64] and previous Commission guidance on "lifeline" water tiers.[65]

In addition, GOWC's 40 percent fixed costs and 60 percent variable costs mix of revenue requirements provide for a unique situation relative to other Class A water utilities. Allowing 100 percent of fixed costs to be captured in the service charge for GOWC is equivalent to the average Class A water utility, with 80 percent fixed costs and 20 percent variable costs, capturing 50 percent of the fixed costs in the service charge. Both outcomes result in 40 percent of the fixed costs being captured in the service charge.

6) Public Advocates Office Tiered Rate Structure Option 2

Option 2 has all the advantages of Option 1, but includes 50 percent of fixed costs in the quantity charge and offers different tiered rates. The major benefit of Option 2 over Option 1 is that it provides the lowest bill impact for LICAP Tier 1 users while also keeping Tier 2 bill impacts low. Option 2 also encourages conservation by putting a greater burden on GOWC customers with Tier 3 and 4 usage (which in comprised of 5 percent of GOWC's customer base). Option 2 is also revenue neutral.

[64] https://www.sjwater.com/sites/default/files/2018-09/Schedule%201%20August%2025%202018.pdf
[65] D.84-11-089, page 4.

d) The Commission Should Adopt the Public Advocates Office Option 2 Recommended Rate Design

The Commission should adopt a four-tiered rate structure with 50 percent of fixed costs included in the quantity charge. The tier structure and rates are shown in Option 2 of Table III-17. The rate design is revenue neutral, provides incentives for high users to conserve, and keeps rates low for LICAP customers.

4. OPERATING REVENUES

Operating revenues include service revenues (from fixed charges) and usage revenues (from variable charges or quantity rates). Fixed and variable charges are based on fixed and variable costs. Revenues are calculated as follows:

Service Revenue = Customers Per Meter Size * Fixed Charge

Usage Revenues = (CCF Usage Per Customer * Total Customers in that Class) * Quantity Rate

The Commission should adopt a total of $18,878,336 in operating revenues for TY 2019/2020, which includes $4,243,042 in service revenues and $14,635,294 in usage revenues. The $18,878,336 in total operating revenues is based on the costs and charges provided in Table III-18 and is $3,894,469 less than GOWC's proposal of $22,772,805.

Table III-18: TY 2019/2020 Recommended Operating Costs, Charges and Revenues

Description	Fixed	Variable	Total
Costs	$ 8,486,084	$ 10,392,252	$ 18,878,336
Charges (50% of fixed costs included in variable costs)	$ 4,243,042	$ 14,635,294	$ 18,878,336
Revenue (Includes Private Fire Service)	$ 4,243,042	$ 14,635,294	$ 18,878,336

a) Fixed Costs and Service Revenues

The Commission should adopt $8,486,084 in fixed costs. Because the Public Advocates Office is proposing 50 percent of fixed costs be included in the variable charge, the total service revenues recommended is $4,243,042 ($4,166,527 in customer

service revenues plus $76,515 in Private Fire Protection Service revenues). The total rates and service revenues for each meter connection can be found in Table III-19.

Table III-19: Public Advocates Office TY 2019/2020 Service Revenue Forecast

Meter Size	Customers	Service Charge	Service Revenue Annualized
5/8 x 3/4	6,141	$ 9.16	$ 675,261
0.75	13,594	$ 13.74	$ 2,242,182
1	983	$ 22.91	$ 270,225
1.5	290	$ 45.82	$ 159,441
2	474	$ 73.31	$ 416,966
3	65	$ 137.45	$ 107,210
4	46	$ 229.08	$ 126,453
6	11	$ 458.16	$ 60,478
8	8	$ 733.06	$ 70,374
10	3	$ 1,053.78	$ 37,936
12	-	$ 1,511.94	$ -
Total	**21,615**		**$ 4,166,527**

A comparison of the monthly service charges for TY 2019/2020 are shown in Table III-20. The difference in service charges is attributed to differences in total service revenue requirement and customer count forecasts.

Table III-20: Comparison of Monthly Service Charges per Meter Size for TY 2019/2020

Meter Size	GOWC	Public Advocates Office	Difference
5/8 x 3/4	$ 20.06	$ 9.16	$ (10.89)
0.75	$ 30.08	$ 13.74	$ (16.34)
1	$ 50.14	$ 22.91	$ (27.23)
1.5	$ 100.28	$ 45.82	$ (54.46)
2	$ 160.44	$ 73.31	$ (87.14)
3	$ 300.83	$ 137.45	$ (163.38)
4	$ 501.39	$ 229.08	$ (272.31)
6	$ 1,002.78	$ 458.16	$ (544.62)
8	$ 1,604.45	$ 733.06	$ (871.39)
10	$ 2,306.39	$ 1,053.78	$ (1,252.62)
12	$ 3,309.18	$ 1,511.94	$ (1,797.23)

b) Variable Costs and Usage Revenues

The Commission should adopt variable costs of $10,392,252 for TY 2019/2020. Because the Public Advocates Office is recommending 50 percent of fixed costs in the usage charge, this results in total usage revenues of $14,635,294. Service revenues are a sum of the total revenues in each customer classification. The total rates and service revenues for each customer classification can be found in Table III-21.

Table III-21: Public Advocates Office Recommended TY 2019/2020 Usage Revenues

Customer Class	Forecasted Usage Per Customer	Forecasted Customer Count	Total CCFs	Quantity Rate	Usage Revenues
Single-Family Residence	118.4	20,200	2,392,463	$ 3.4013	$ 8,137,525
Multi-Family Residence	1402.2	615	862,382	$ 3.4013	$ 2,933,235
Business	1167.8	293	342,178	$ 3.4013	$ 1,163,857
Industrial	1626.0	58	94,308	$ 3.4013	$ 320,770
Public Authority	1465.8	145	212,537	$ 3.4013	$ 722,905
Schools	3578.0	46	164,590	$ 3.4013	$ 559,822
Private Landscape	916.6	253	231,891	$ 3.4013	$ 788,734
Agriculture	413.8	6	2,483	$ 3.4013	$ 8,446
Total		**21,616**	**4,302,831**		**$ 14,635,294**

A comparison of the usage revenues is listed in Table III-22. Because GOWC proposes to capture 100 percent of its fixed costs in the fixed charge and the Public Advocates Office recommends capturing 50 percent of the fixed costs in the variable charge, usage revenues are higher under the Public Advocates Office but do not impact the final total revenues.

Table III-22: Comparison of TY 2019/2020 Usage Revenues

Meter Size	GOWC	Public Advocates Office	Difference
Single-Family Residence	$ 8,146,434	$ 8,137,525	$ (8,908)
Multi-Family Residence	$ 2,320,149	$ 2,933,235	$ 613,085
Business	$ 727,256	$ 1,163,857	$ 436,601
Industrial	$ 316,146	$ 320,770	$ 4,624
Public Authority	$ 507,929	$ 722,905	$ 214,976
Schools	$ 630,105	$ 559,822	$ (70,283)
Private Landscape	$ 992,194	$ 788,734	$ (203,460)
Agriculture	$ -	$ 8,446	$ 8,446
Total	**$ 13,640,212**	**$ 14,635,294**	**$ 995,082**

c) Other Revenue

GOWC is currently forecasting $154,711 in Private Fire Protection Service revenues and $0 in Other Revenues. The Public Advocates Office does not oppose the Other Revenues forecast of $0 but recommends a Private Fire Protection Service revenue amount of $76,515. This amount is $76,060 less than GOWC's request of $152,575[66] because of multiple errors in GOWC's calculation. Corrections include:

- GOWC's rate of return was set at 9.1 percent and should be 8.15 percent
- GOWC's net-to-gross multiplier was set at 1.4 and should be 1.275
- The service charge calculation for each meter size in each forecasted fiscal year double counted the annual cost
- The annual depreciation as double counted in the annual cost calculation

[66] *Updated Exhibit E GRC Workpapers*, tab "WP45 – 2019-2020 Custmrs & Rvn".

d) Bill Comparison

A single-family residential bill comparison of the average monthly usage of 22 CCF is shown in Table III-23 and Table III-24. GOWC bills bi-monthly, so both tables demonstrate monthly and bi-monthly totals.

Table III-23: GOWC Sample Bill at 22 CCF

Description	Monthly Fixed Cost	Quantity	Bi-Monthly Charge	Monthly Charge
Service Charge	**$ 30.08**	**2**	**$ 60.17**	**$ 30.08**
Quantity Charge		**22.0**	**$ 69.74**	**$ 34.87**
Tier 1	$ 1.5851	6.0	$ 9.51	$ 4.76
Tier 2	$ 3.1701	10.0	$ 31.70	$ 15.85
Tier 3	$ 4.7552	6.0	$ 28.53	$ 14.27
Tier 4	$ 9.5103	0.0	$ -	$ -
Subtotal			**$ 129.91**	**$ 64.95**
CPUC Fee	1.4%		$ 1.82	$ 0.91
Total			**$ 131.73**	**$ 65.86**
City Tax	5.0%		$ 6.59	$ 3.29
Total			**$ 138.31**	**$ 69.16**
LICAP Discount	50% Off Srv. Chg.		**$ 30.08**	**$ 15.04**
LICAP Total			**$ 108.23**	**$ 54.12**

Table III-24: Public Advocates Office Sample Bill at 22 CCF

Description	Monthly Fixed Cost	Quantity	Bi-Monthly Charge	Monthly Charge
Service Charge	**$ 13.74**	**2**	**$ 27.49**	**$ 13.74**
Quantity Charge	$ -	**22.0**	**$ 61.80**	**$ 30.90**
Tier 1	$ 1.5851	6.0	$ 9.51	$ 4.76
Tier 2	$ 3.2684	16.0	$ 52.29	$ 26.15
Tier 3	$ 5.3258	0.0	$ -	$ -
Tier 4	$ 9.5103	0.0	$ -	$ -
Subtotal			**$ 89.29**	**$ 44.65**
CPUC Fee	1.4%		$ 1.25	$ 0.63
Total			**$ 90.54**	**$ 45.27**
City Tax	5.0%		$ 4.53	$ 2.26
Total			**$ 95.07**	**$ 47.54**
LICAP Discount	50% Off Srv Chg		**$ 13.74**	**$ 6.87**
LICAP Total			**$ 81.33**	**$ 40.66**

e) The Commission Should Adopt $18,878,336 in Total Operating Revenues

The Commission should adopt a total of $18,878,336 in operating revenues. A comparison of TY 2019/2020 operating revenue forecasts is shown in Table III-25.

Table III-25: Comparison of Operating Revenues Forecasts for TY 2019/2020

Description	GOWC Proposal	Public Advocates Office Recommendation	Difference	% Difference
Service Revenues	$ 8,980,019	$ 4,166,527	$ (4,813,492)	-54%
Usage Revenues	$ 13,640,212	$ 14,635,294	$ 995,082	7%
Private Fire Revenues	$ 152,575	$ 76,515	$ (76,060)	-50%
Other Revenues	$ -	$ -	$ -	
Total Revenues	**$ 22,772,805**	**$ 18,878,336**	**$ (3,894,469)**	**-17%**

5. SALES RECONCILIATION MECHANISM SPECIAL REQUEST

The Commission should reject GOWC's request for an SRM because the numerous, existing ratemaking mechanisms that allow unnoticed rate increases to occur outside of general rate cases decrease customer transparency. The Commission should not compound this problem by authorizing an SRM.

While D.16-12-026 held that an SRM may be a reasonable mechanism for some utilities to reduce high WRAM balances, it also directed utilities to "provide analysis and information to make a showing that the proposals are well-calculated to provide more timely cost information to customers to inform the Commission's deliberation about the appropriate mechanism to address this issue [of high WRAM balances] and achieve the policy goals articulated [in D.16-12-16 026]."[67] However, GOWC fails to do this. The Commission has asserted that a major driver of WRAM balances is inaccurate forecasting of revenues. As noted in Planning and Policy Division's White Paper on the WRAM "If forecast revenues exactly matched actual revenue then WRAM balances would be

[67] D.16-12-026, page 7.

exactly zero."[68] As noted in the rate design section of this testimony, GOWC's application lacks any test of its proposed rate design using its actual present and proposed rates.[69] Having run the analysis, GOWC's rate design is not revenue neutral and will likely over-collect more than $4 million (50 percent) in single-family residential quantity revenues.

The Commission's affirmation of the Water Division's rejection of SJWC request for SRM noted that since SJWC does not have a full WRAM, "the primary reason for the SRM does not exist."[70] Because GOWC neither currently has, nor requested, a full WRAM in this proceeding, it also lacks the primary rationale for an SRM.

The Commission should reject GOWC's request for an SRM.

D. CONCLUSION

The Commission should adopt the following recommendations:

- **Customer Count Forecast -** The Commission should authorize an annual total customer growth of 156 customers per year for TY 2019/2020, escalation year 2020/2021 and attrition year 2021/2022 as shown in Table III-6. Growth of 156 customers per year is consistent with historical trends.
- **Water Consumption Forecast** - GOWC's updated total water forecast of 4,302,770 CCF[71] for TY 2019/2020 is reasonable based on historical trends and adoption of a four-tier rate design. However, the Commission should adopt a more accurate customer usage per classification allocation as shown in Table III-11.

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[68] PPD, WRAM White Paper, *supra* note 21 at 3.
[69] Rather than using actual present and proposed rates to calculate revenues at present and proposed rates, GOWC utilizes uniform quantity rates which are not the actual rates paid by the majority of customers.
[70] Res. W-5135, page 6.
[71] One CCF is approximately 748 gallons

- **Unaccounted for Water Forecast** - GOWC's Unaccounted for Water forecast of 7.20 percent for fiscal TY 2019/2020 is reasonable; however, GOWC should implement measures to reduce water losses.
- **Rate Design** – The Commission should adopt a four-tiered rate structure with 50 percent of fixed costs included in the quantity charge. The tier structure and rates are shown in Option 2 of Table III-14. The design is revenue neutral, provides incentives for high water users to conserve, and keeps rates low for LICAP customers.
- **Operating Revenues** – The Commission should adopt $18,878,336 in total Operating Revenues. This includes a total of $4,243,042 for Service Revenues (Service Revenues include 50 percent of fixed costs, $76,515 for Private Fire Protection Revenues and $0 for Other Revenues), and a total of $14,635,294 for Usage Revenues (Usage Revenues include 100 percent of variable costs and 50 percent of fixed costs).
- **Sales Reconciliation Mechanism** - The Commission should reject GOWC's request for a SRM. GOWC fails to provide analysis and information to make a showing that the proposals are well-calculated. GOWC does not currently have a full WRAM which is the primary rationale for the Commission allowing an SRM for other water utilities. Furthermore, the Commission should refrain from approving an additional alternative ratemaking mechanism that allows unnoticed rate increases to occur outside of general rate cases and decrease transparency.

CHAPTER IV: OPERATING AND MAINTENANCE EXPENSES

A. INTRODUCTION

Great Oaks Water Company (GOWC) has estimated total Operations and Maintenance (O&M) expenses at $13,488,772 for Test Year (TY) 2019/2020, which is more than a 100% increase since the last recorded total of $6,711,554 in year 2016/2017.

In TY 2019/2020, approximately 90% of GOWC's total O&M expenses are from ground water charges. GOWC has estimated an increase of about 95% in ground water charges since the recorded year 2016/17. The remaining major categories of expense are purchased power (7.08%), customer records & collection expenses (1.09%) and Maintenance Transmission and Distribution ("T&D") Mains (1.08%).

In this chapter, the Public Advocates Office has reviewed all the above-mentioned items, which account for more than 95% of the total estimated O&M expense for TY 2019/2020. Escalation year and attrition year amounts are estimated using escalation factors consistent with the Rate Case Plan.[72]

B. SUMMARY OF RECOMENDATIONS

The Commission should adopt TY 2019/2010 total O&M expenses of $10,466,189. Table IV-1 below summarizes the recommendation for each account.

[72] Attachment IV-1: "Escalation May 2018," the escalation rates used by GOWC to forecast expenses in their workpapers.

Table IV-1: Summary of Recommendations for TY 2019/2020

Operating and Maintenance Expenses (O&M Expenses)	GOWC Proposed	Public Advocates Recommendation	Dollar Difference	Percentage Difference
Acct 700 – Ground Water Charges	12,047,703	9,238,992	(2,870,894)	(24)
Acct 726 – Purchased Power	960,371	775,967	(184,405)	(19)
Acct 761 – Maintenance T&D Mains	147,563	147,563	0	0
Acct 773 – Customer Records & Coll. Exp	150,286	150,286	0	0
Acct 775 – Uncollectible Accts.	51,046	51,046	0	0
Acct 765 – Maint. Hydrants	10,160	2,109	(8,051)	(79)
Acct 763 – Maint. Services	37,556	22,587	(14,969)	(40)
Acct 711 – Maint. Of Wells	33,450	17,992	(15,458)	(46)
Total O&M Expenses[73]	**13,563,568**	**10,522,098**	**(3,011,470)**	**(22)**

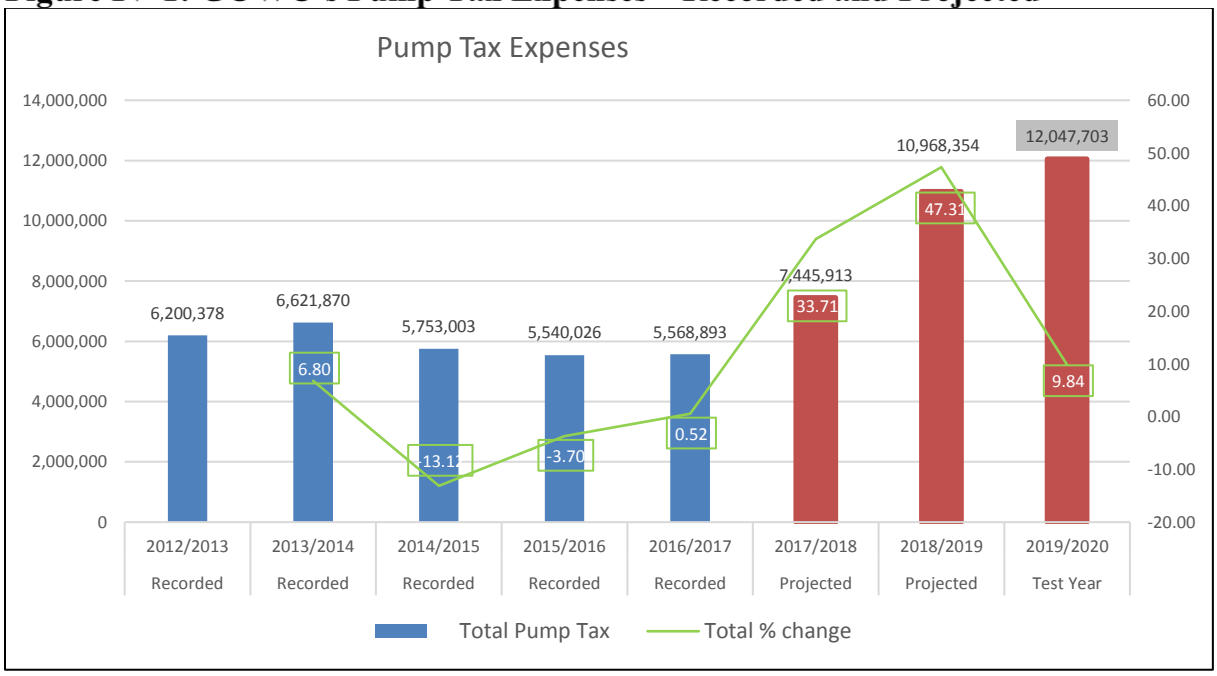
C. DISCUSSION

1. ACCOUNT 700 – GROUND WATER CHARGES:

GOWC's ground water charges consist of pump taxes paid to the Santa Clara Valley Water District.[74] For TY 2019/2020, GOWC estimates $12,047,703 in pump tax expenses,[75] which represents an increase of more than 100% since their last recorded year 2016/2017. Figure IV-1 below illustrates recorded and projected pump taxes.

[73] Total O&M Expenses is from GOWC GRC Application A1807002 - 45-day update to its application.
[74] GOWC GRC Application A1807002 - Exhibit D, Chapter 5 –Operating expenses
[75] GOWC GRC application A1807002 - Exhibit E, WP: 14 –Pump tax expenses, Cell: K14

Figure IV-1: GOWC's Pump Tax Expenses – Recorded and Projected[76]



GOWC forecasts its pump taxes based on the production capacities of wells operating in different ground water zones (zone-2 and zone-5).[77] The actual pump taxes that GOWC incurs vary significantly depending on the zone where ground water is extracted. For TY 2019/2020, the pump tax in Zone 2 is $1,417 per acre-foot (AF)[78] and $486/AF for Zone 5. The proportion of water that GOWC has actually pumped within each zone has also varied significantly from the pumping capacity within each zone. The following Table IV-2 compares the actual production amounts reported by GOWC in year 2017/2018 with the theoretical pumping capacity that GOWC utilizes to develop its TY 2019/2020 forecast of pump taxes.[79]

[76] GOWC GRC Application A1807002 - "Exhibit E GRC Workpapers" under tab "WP 14 - Pump Tax Expenses"
[77] GOWC GRC Application A1807002 - "Exhibit E GRC Workpapers, WP14 - Pump tax Expenses" rows: 28 to 30
[78] An acre-foot (AF) is approximately 325,851.43 gallons
[79] GOWC provided water production data from years 2012/13 to 2017/18 under document titled "GOWC ORA 002-1.2 Water Production" in MS excel format as a response to DR-002-Expesnes, question: 1.2. This document is available on request.

Table IV-2: Pump Tax Forecasts- Actual v/s Theoretical Water Production

Ground Water Pumping Zone	Actual CCF Production in 2017/2018	Actual Percentage of Water Production in 2017/2018	Theoretical Pumping Capacity Percentage in 2017/2018
Zone-2	1,823,891	41%	70%
Zone-5	2,640,093	59%	30%
Total	**4,463,984**	**100%**	**100%**

By forecasting pump taxes based on theoretical pumping capacities within each zone and not actual or anticipated pumping operations, GOWC overstates the likely expenses for TY 2019/2020. Similar to GOWC's general practice of utilizing projected year 2017/2018 expenses as the basis to forecast TY 2019/2020 expense, a more reasonable forecast method for pump taxes would apply the actual production percentages of each zone in 2017/2018 to the total forecasted production amounts for TY 2019/2020.[80] The following Table IV-3 compares the recommended pump tax expense with GOWC forecasted expense using theoretical pumping capacities and actual production percentages.

Table IV-3: Pump tax forecasts- Actual v/s theoretical pumping capacity for TY 2019-2020

	Item	GOWC Estimate Using Theoretical Zone Production Percentage		Public Advocates Office Estimate Using Actual Zone Production Percentage[81]	
(a)	Production in Acre-Feet (AF)	10,590		10,644	
(b)	Zone Production Percentage	Zone 2	Zone 5	Zone 2	Zone 5
		70%	30%	41%	59%
(c)	Estimated $/AF per Zone	$1,417	$486	$1,417	$486
(d)	Weighted $/AF [(b) x (c)]	$992	$146	$581	$286
(e)	Effective $/AF [∑(d)]	$1,138		$868	
(f)	Pump Tax Expense [(e) x (a)]	$12,051,420*		$9,238,992*	
	*Difference in GOWC workpapers is result of rounding above				

[80] See the testimony of Mr. Tony Tully for the Public Advocates Office forecast of total production.

[81] The Actual Zone production percentage of 41% for Zone 2 and 59% for Zone 5 is calculated based on actual water production in year 2017/2018 as provided by GOWC in response to a data request under document titled "GOWC ORA 002-12 Water Production." The document is available upon request.

Rather than estimating pump taxes with the theoretical pumping capacity of each zone, using the actual production percentages for each zone is more reasonable. Therefore, the Commission should adopt $9,238,992 in forecasted pump tax expense for TY 2019/2020.

2. ACCOUNT 726 – PURCHASED POWER

GOWC's purchased power expenses consists of payments made to PG&E for power used in kilowatt-hours (kWh). For TY 2019/2020, GOWC has forecasted a total purchased power expense of $960,371 using a unit price of $0.18045 per kWh[82] as provided by PG&E.[83]

For TY 2019/2020, GOWC proposes maintaining the previously adopted estimate of 500 kWh per acre-foot of water produced.[84] GOWC explains that this estimate is based on the age of pumping equipment, which become less efficient and requires additional electricity over time.[85]

Regardless of GOWC's common sense explanation, the actual kWh needed to produce an acre-foot of water has declined every year for the past four years as shown in Table IV-4 below.[86]

Table IV-4: Purchased Power – GOWC's Historical kWh Per Acre-Foot (AF)

kWh/AF	Recorded 2014/2015	Recorded 2015/2016	Recorded 2016/2017	Projected 2017/2018
GOWC's kWh/AF Forecast	463	439	433	404

The observed pattern of decreasing energy usage per acre-foot of water produced is also consistent with GOWC's testimony indicating that it "will continue to participate

[82] GOWC GRC Application A1807002 - "Exhibit E GRC Workpapers, WP 9 - purchased Power", cell: K22
[83] Attachment IV-2: "GOWC Response to ORA-002" – refer 1.1.b
[84] Attachment IV-2: "GOWC Response to ORA-002" – refer 1.1.a
[85] Attachment IV-2: "GOWC Response to ORA-002" – refer 1.1.a
[86] GOWC GRC Application A1807002 - "Exhibit E GRC Workpapers, WP 9 - purchased Power", row:18.

in energy efficiency programs and will replace, when feasible and cost-effective, existing pumps with higher efficiency pumps."[87]

Similar to GOWC's general practice of utilizing 2017/2018's expenses as the basis to forecast TY 2019/2020 expenses, a more reasonable forecast method for purchased power expenses would apply the actual value of "kWh/AF" in 2017/2018.By using this methodology the forecast of purchased power is reduced by $184,405 in TY 2019/2020. Table IV-5 below compares the methodology and results of GOWC and the Public Advocates Office purchased power expenses forecast for TY 2019/2020.

Table IV-5: Overview of Recommendation for TY 2019/2020

	Item	GOWC Proposed	Public Advocates Recommendation	Difference
(a)	Water Production (in AF)	10,644	10,644	0
(b)	kWh/AF	500	404	(96)
(c)	Purchased Power, $/kWh	$0.18045	$0.18045	$0
(d)	Total Purchased power expense [(a)*(b)*(c)]	$960,371	$775,967*	$(184,405)
*Difference in GOWC workpapers is result of rounding above				

The Commission should adopt $775,967 in total purchased power expenses for TY 2019/2020 based upon estimated needs of 404 kWh/AF, which is consistent with the actual usage in 2017/2018 that GOWC utilizes to forecast most other expenses.

3. ACCOUNT 761 – MAINTENANCE T&D MAINS

For TY 2019/2020, GOWC's forecasted maintenance of transmission and distribution pipelines ("T&D Mains") consists of labor, materials and other petty cash expenses totaling to $147,563.[88] GOWC has based the forecast on the projected year

[87] GOWC GRC Application A1807002 - "Exhibit D Report on Results of Operation, CHAPTER 9 Conservation and Efficiency", page: 4

[88] GOWC GRC Application A1807002 – 45-day update, "Updated Exhibit E GRC Workpapers" under tab "WP4 – O&M Expense"

2017/2018. GOWC uses escalation rate of 1.6% on projected year 2017/2018 to estimate the projected year 2018/2019 expenses.[89] Similarly for TY 2019/2020, GOWC uses escalation rate of 1.6% on projected year 2018/2019.[90]

According to the Uniform System of Accounts (USOA), Account 761 consists of the cost of labor and materials used and expenses incurred in the maintenance of mains.[91] The Public Advocates Office conducted a random sampling audit of invoices from their recorded transactions,[92] mainly to understand the types of costs incurred with the credit card purchases[93] and identifying any probable duplication of recorded expenses. The invoice copies provided by GOWC, clarified that the recorded costs are not duplicated.[94] The Public Advocates Office does not object to GOWC's forecasted expenses for this category.

4. ACCOUNT 773 – CUSTOMER RECORDS & COLL. EXP.

GOWC's customer records and collection expenses consists of transportation clearing, bank charges, interest, labor, computer software, forms, labor and postage expenses.[95] For TY 2019/2020, GOWC forecasts customer records and collection expenses at $150,268.[96] GOWC has based the forecast on the projected year 2017/2018.

According to the USOA, Account 773 includes the cost of labor and of materials used and expenses incurred for work on customer applications, contracts, orders, credit

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[89] Attachment IV-1: "Escalation May 2018", 1.6% is the Non-Labor escalation Rate.
[90] Attachment IV-1: "Escalation May 2018", 1.6% is the Non-Labor escalation Rate.
[91] Attachment IV-3: Uniform System of Accounts for Water Utilities Class A, California Public Utilities Commission- page: A111
[92] GOWC provides detailed account transactions for selected expense accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5. a", refer tab: "Acct 761 – FY 2017-2018." This document is available upon request.
[93] Attachment IV-4: "GOWC Response to Cal PA 019", refer 19.9.a (i).
[94] Attachment IV-4: "GOWC Response to Cal PA 019", refer 19.9.a (ii).
[95] GOWC provides detailed account transactions for selected expense accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5. a", refer tab "Acct 773 – FY 2017-2018." This document is available upon request.
[96] GOWC GRC Application A1807002 – 45-day update, "Updated Exhibit E GRC Workpapers" under tab "WP4 – O&M Expense"

investigations, billing and accounting, collections, and complaints.[97]

The Public Advocates Office conducted a random sampling review of invoices from their recorded transactions[98] mainly to verify that the recorded costs are accurate and in accordance with the USOA. GOWC provided invoice copies of the selected transactions through data request responses. Review of the invoices provided shows that the costs are related to company website subscription renewals and service charges.[99] The Public Advocates Office does not object to GOWC's forecasted expenses for this category.

5. ACCOUNT 775 – UNCOLLECTIBLE ACCTS.

GOWC's uncollectible accounts consists of bad debt write-offs, non-taxable portion of bad debts, bad debt recovery after write-offs and closing balance credits.[100] For TY 2019/2020, GOWC forecasts uncollectibles at $51,372. GOWC's uncollectibles percentage for TY 2019/2020 is 0.2225%[101] of estimated "total Base rate Water services, including CPUC surcharges" [102]

In discovery, GOWC explained how the uncollectibles are calculated. [103] GOWC calculates the percentage of uncollectibles based on actual bad debts incurred and recoveries and does not include non-taxable portion of bad debts. The Public Advocates Office does not object to GOWC's forecasted expenses for this category.

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[97] Attachment IV-5: Uniform System of Accounts for Water Utilities Class A, California Public Utilities Commission, p. 114

98 GOWC provides detailed account transactions for selected expense accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5. a", refer tab: "Acct 773 – FY 2017-2018." This document is available upon request.

[99] Attachment IV-6: "GOWC Response to Cal PA 019", - 19.9.b.(iv)

[100] GOWC provides detailed account transactions for selected expense accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5. a", refer tab: "Acct 775 – FY 2017-2018". This document is available upon request.

[101] GOWC GRC Application A1807002 - "Exhibit E GRC Workpapers," under tab "WP 45 – TY 2019-2020 Sales & Rev" refer Cell F71.

[102] GOWC GRC Application A1807002 - "Exhibit E GRC Workpapers," under tab "WP45 - TY 2019-2020 Sales Rvn" refer Cell G69.

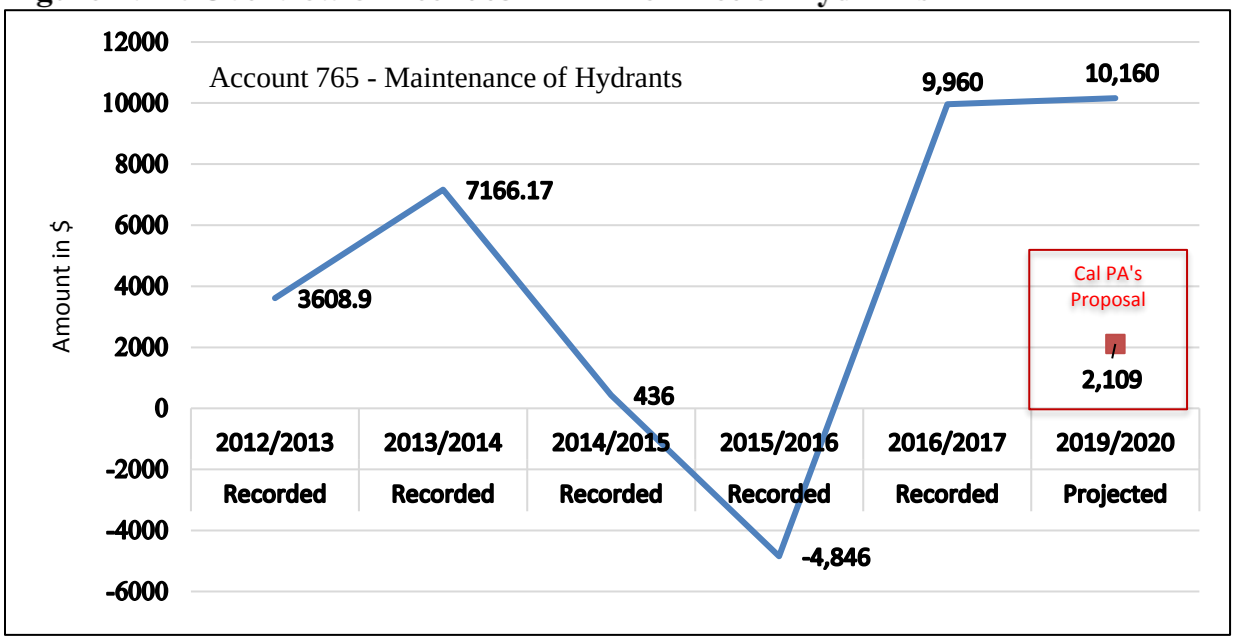
[103] Attachment IV-7: "GOWC Response to ORA-010" - 10.12.a.

6. ACCOUNT 765 – MAINTENANCE OF HYDRANTS

GOWC projects $10,160 for the Maintenance of Hydrants in TY 2019/2020. To arrive at this amount, GOWC applies an escalation rate of 1.6%[104] on projected year 2018/2019 expenses of $10,000.[105] In response to discovery, GOWC explained that the estimate of projected year 2018/2019 "is a simple estimate based upon the $9,960 expense in 2016/2017." [106]

The trend of recorded expenses for Maintenance of Hydrants from 2012/2013 to 2016/2017 shows a high fluctuation from year to year.[107] The below Figure IV-2 illustrates the trend of GOWC's recorded expenses and the Public Advocates Office's recommendation:

Figure IV-2: Overview of Acct 765 – Maintenance of Hydrants



The use of "$9,960" from recorded year 2016/2017 as a basis to estimate "$10,000" for projected year 2018/2019 is unreasonable. GOWC selected the highest

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[104] Attachment IV-1: "Escalation May 2018," 1.6% is Non-labor escalation rate.
[105] GOWC GRC Application A1807002 - "Exhibit E GRC Workpapers," under tab "WP4 – O&M Expenses" refer Cell J31.
[106] Attachment IV-8: "GOWC Response to ORA-010" – 10.1.
[107] GOWC GRC Application A1807002– "Exhibit E GRC Work papers" under tab: "WP4 - O&M expenses", refer row: 31.

expense amount from the last six years of recorded expenses to estimate projected year 2018/2019. Therefore, the forecasted estimate of TY 2019/2020 is likely overestimated, since it is based on projected year 2018/2019.

Due to high volatility of this account, a more reasonable estimate for projected year 2018/2019 would use the five-year historical average (2013-2014 to 2017/2018) and escalate using 1.6%, which results in $2,075.[108] Similarly, the recommend Maintenance of Hydrants expense for TY 2019/2020 of $2,109 is based on projected year 2018/2019 and escalated at 1.6%.

The Commission should adopt $2,109 in Maintenance of Hydrants expense for TY 2019/2020, which is based on five-year historical average. This recommendation leads to an approximate reduction of $8,051 from GOWC's initial forecast.

7. ACCOUNT 763 – MAINTENANCE SERVICES

For TY 2019-2020, GOWC projects $37,556 for Maintenance Services. To arrive at the forecast, GOWC applies an escalation factor of 1.6% on three-year average (2014/2015, 2015/2016 and 2016/2017).[109] An analysis of GOWC's historical trend of maintenance expenses shows a gradual decreasing trend since 2014/2015. [110]

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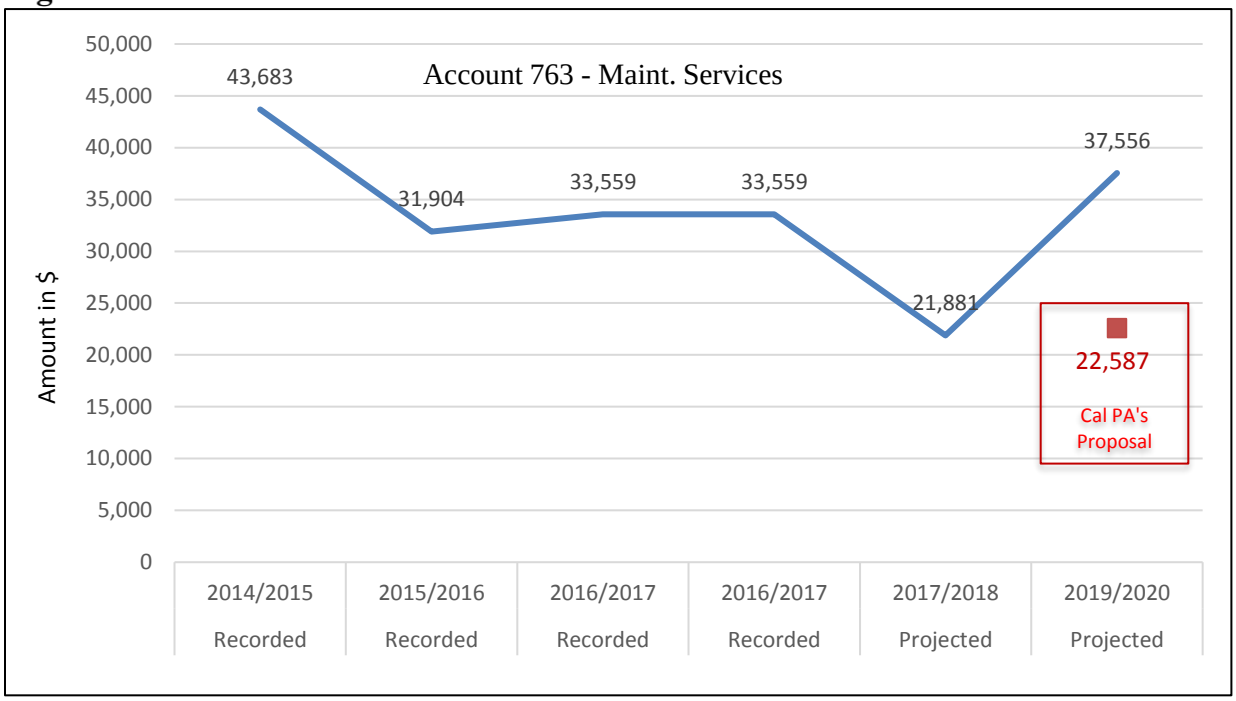
[108] Attachment IV-1: "Escalation May 2018," 1.6% is the Non-Labor escalation rate.
[109] Attachment IV-1: "Escalation May 2018," 1.6% is Non-labor escalation rate.
[110] GOWC GRC Application A1807002 - "Exhibit E GRC Workpapers," under tab "WP4 - O&M Expenses", refer row: 29.

Figure IV-3: Overview of Acct 763 – Maintenance Services



Unlike the fluctuating trend in Account 765, this account does not have high volatility. Therefore, basing the forecast on historical averages and not considering the most recent amount in year 2017/2018 will likely lead to overestimating TY 2019/2020 expenses.

A more reasonable estimate for TY 2019/2020 would be to base the projection on year 2017/2018, which is GOWC's general methodology in forecasting expenses. After applying the escalation rate of 1.6% to year 2017/2018, the forecasted expenses for year 2018/2019 results in $22,231.[111] Similarly, for TY 2019/2020 the escalated amount results in $22,587.[112]

For TY 2019/2020, the Commission should therefore adopt $22,587 as forecasted expenses for Maintenance Services, which is approximately $14,969 less than GOWC's initial forecast.

[111] Attachment IV-1: "Escalation May 2018," 1.6% is Non-labor escalation rate.
[112] Attachment IV-1: "Escalation May 2018," the escalation rate used is 1.6% which is the Non-labor escalation rate.

8. ACCOUNT 711 – MAINTENANCE OF WELLS

For TY 2019/2020, GOWC forecasts Maintenance of Wells at $33,450. To arrive at the forecast, GOWC applies escalation factor on year 2017/2018. Maintenance of Wells generally includes the cost of materials, maintenance of wells and spring.[113]

To estimate year 2017/2018, GOWC takes 11 months of recorded amounts and one month of forecasted amount. In the 45-day update to workpapers, GOWC did not revise the amount in this account. Additionally, year 2017/2018 shows the highest recorded amount in the last five recorded years.

Forecasting TY 2019/2020 expense for this account utilizing only on the year 2017/2018 is unreasonable. A more reasonable forecast would be based on inflation adjusted average of the last five years recorded (2017/2018 to 2013/2014) amount. By applying escalation factors of 1.6% annually,[114] the estimated amount for TY 2019/2020 is $17,992.

The Commission should adopt $17,992 as forecasted TY 2019/2020, which is approximately $15,458 less than GOWC's initial forecast.

D. CONCLUSION

The Commission should adopt total O&M budget of $10,522,098 for the TY 2019/2020. This estimate better reflects recent, actual operations and historical trends.

Different methodologies to forecast groundwater charges and purchased power costs are responsible for 99% of the difference between GOWC's and the Public Advocates Office's estimates of total O&M expenses. For TY 2019/2020, the Commission should adopt the Public Advocates Office's recommendation of $9,238,992 in ground water charges which is a more reasonable estimate based on the actual production percentages of where GOWC has obtained groundwater historically. Similarly, using the historical trend of power usage to estimate the 404 kWh/AF and total

[113] Uniform System of Accounts for Water Utilities Class a, CPUC, page 98
[114] Attachment IV-1: "Escalation May 2018," 1.6% is Non-labor escalation rate.

purchased power expenses at $775,967 is more reasonable than a general assumption of greater power usage based on the age of the equipment, which ignores the energy efficiency programs referenced in GOWC testimony.

The Commission should also adopt the Public Advocates Office's recommended budgets for O&M accounts: Maintenance of Hydrants, Maintenance Services and Maintenance of Wells. The Public Advocates Office's budgets for these expenses better reflect recorded data and result in an additional $38,478 of ratepayer savings.

ATTACHMENT IV-1: "ESCALATION MAY 2018"

State of California Public Utilities Commission, San Francisco

MEMORANDUM

Date : May 31, 2018

To : R. Smith, Program Manager, ORA; R. Kahlon, Director, Water Division

From : M. Kanter, Regulatory Analyst, ORA Energy Cost of Service & Natural Gas Branch
J. Montero, Regulatory Analyst, ORA Communications & Water Policy Branch

File No. : S-2559

Subject: Office of Ratepayer Advocates: Estimates of Non-labor and Wage Escalation Rates for 2018 through 2022 from the May 2018 IHS Global Insight U.S. Economic Outlook

The purpose of the monthly Escalation Memorandum is to inform division management of the trends in the general price level of utility non-labor expenses and wage contracts. Data are provided for 13 years, which include eight historic years, the estimated current year, and four forecasted years.

The following table summarizes the major changes in forecasted labor and non-labor inflation for years 2018 through 2022. Data for 2017 are provided as benchmarks. The factors for April 2018 are presented for comparison.

FORECASTED INFLATION

	Labor		Non-labor	
	05/18	04/18	05/18	04/18
2017	1.3%	1.3%	3.7%	3.7%
2018	2.1%	2.1%	3.8%	3.3%
2019	2.5%	2.3 %	1.8%	0.8%
2020	1.8%	1.7%	1.6%	1.6%
2021	2.5%	2.9%	0.7%	0.9%
2022	2.3%	2.5%	1.0%	1.1%
Compounded	13.2%	13.4%	13.2%	11.8%

A more extensive explanation of the derivation and use of the above factors and a complete presentation of the escalation factors from 2010 through 2022 are provided in the attached appendix.

APPENDIX: EXPLANATION OF ESCALATION RATES

The recommended NON-LABOR ESCALATION RATES for 2010 through 2022 are presented in Table A. The values for 2010 through 2017 are provided for comparison.

TABLE A

Year	Non-Labor Inflation Rate*
2010	4.8%
2011	5.5%
2012	0.7%
2013	0.5%
2014	0.9%
2015	-2.8%
2016	-1.1%
2017	3.7%
2018	3.8%
2019	1.8%
2020	1.6%
2021	0.7%
2022	1.0%

* Revised 07/17/97 based on 1995 re-weighted purchases. [Source: BLS, Supplement to Producer Price Indexes, 1995, Table 12]

These escalation rates represent the calendar year average, or alternatively stated, the 12-month-ended spot rate at mid-year. These price factors have not been adjusted for real growth of expensed materials and services. The escalation factors are generated from a composite index of 10 Wholesale Price Indexes (WPI) for materials and supplies expenses and the CPI-U weighted 5% for services and consumer-related items. **These non-labor rates are not applicable to plant, contracted services, loans, insurance, rents, and pensions and other utility employee benefits. Escalation of these expenses is addressed on pages 10-15 of D.04-06-018/R.03-09-005 (Water Rate Case Plan).**

cc: M. Pocta P. Ma R. Kahlon C. Tang

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ATTACHMENT IV-2: "GOWC RESPONSE TO ORA-002" - 1.1.A AND 1.1B

RE: **Great Oaks Water Company Responses to ORA Data Request No. 002 Expenses**

Great Oaks Water Company (Great Oaks) hereby provides its responses to ORA Data Request No. 002 Expenses.

Responses to Data Request No. 002 Expenses

1.1 Exhibit E; WP 9 Purchased Power: GOWC provides the calculations of recorded and forecasted purchased power expenses.

a. How is the KWH/AF (row: 18) estimated? Provide all supporting documents.

Response: In the Settlement Agreement between Great Oaks and ORA approved by the Commission in D.16-05-041, the KWH/AF value of $500 was established. That is the same value that is projected for Test Year 2019/2020, as well as for the escalation and attrition years in Great Oaks 2018 GRC Application. See Exhibit E GRC Workpapers, WP9 Purchased Power, Cells G18, H18, and J18 (years 2016/2017, 2017/2018, and 2018/2019) and Cells K18, L18, and M18 for Test Year 2019/2020, Escalation Year 2020/2021, and Attrition Year 2021/2022.

The rationale behind the $500 value is that, as pumping equipment ages, it becomes less efficient and requires additional electricity. Note that Great Oaks maintains a Purchased Power Balancing Account that tracks the difference between actual and adopted purchased power expenses.

b. How is the Purchased Power, $/KWH (row: 22) estimated? Provide all supporting documents.

Response: The values for purchased power for Test Year 2019/2020 and subsequent years covered by Great Oaks' 2018 GRC Application have been provided by PG&E.

ATTACHMENT IV-3: UNIFORM SYSTEM OF ACCOUNTS FOR WATER UTILITIES CLASS A, CALIFORNIA PUBLIC UTILITIES COMMISSION-PAGE: A111

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

703. Miscellaneous Expenses

This account shall include the cost of labor and of materials used and expenses incurred which are not specifically provided for or are not readily assignable to other water source of supply expense account.

Items

Labor:

1. General clerical and stenographic work at source of supply offices.
2. Preparing maps.
3. Building service.
4. Care of grounds including show removal, cutting grass and the like.

Materials and Expenses:

5. Building service supplies.
6. First aid supplies and safety equipment.
7. Map record supplies.
8. Miscellaneous office supplies and expenses, printing and stationery.
9. Utility service.

704. Purchased Water

A. This account shall include the cost at the point of delivery of water purchased for resale. This includes charges for readiness to serve and the portion applicable to each accounting period of annual or more frequent payments for the right to divert water at the source of supply.

B. The records supporting this account shall be so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased. (See note to Account 606, Sales to Other Water Utilities for Resale.)

MAINTENANCE

706. Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of water source of supply facilities. Direct supervision of specific jobs shall be charged to the appropriate functional maintenance account.

Items

Labor:

1. Establishing organizational setup of department and executing changes therein.
2. Formulating and reviewing routines of department and executing changes therein.
3. Preparing instructions for maintenance work.
4. Preparing or reviewing budgets, estimates, and drawings relating to maintenance, for department approval.
5. General engineering and estimating work for maintenance projects.
6. General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instruction and training in a particular type of work is chargeable to the appropriate account.
7. Secretarial work for supervisory personnel but not general clerical and stenographic work chargeable to other accounts.

Expenses:

8. Consultants' fees and expenses.
9. Transportation, meals and incidental expenses.

ATTACHMENT IV-4: "GOWC RESPONSE TO CAL PA 019" – 19.9.A (I) AND 19.9.A (II)

19.9 In reference to GOWC's response to DR-004-Expenses, Q.4.5.a, GOWC provides transaction details of requested expense accounts under MS Excel workpaper "GOWC ORA-004-4.5.a". Please answer the below questions:

From GOWC's response workpaper - 'GOWC ORA-004-4.5.a'		
Accounts	**Work sheet name**	**Questions**
a. Acct 761 – Maintenance T&D	Acct 761 – FY 2017-2018	(i) List the type of expenses incurred under "CitiBank Costco". Response: Credit card purchases for office supplies, IT parts and equipment, tools, operation and maintenance parts and equipment, technician training, testing and certification, auto parts, and more. (ii) Are permit fees paid to City of San Jose in December 21, 2017 duplicated (Rows 283 and 312)? Please reconcile, if necessary. Response: No. See document attached as GOWC Cal PA-019-19.9.a.ii.
b. Acct 773 – Customer Records Maintenance	Acct 773 – FY 2017-2018	(iii) Provide invoice copy of transaction recorded under "Returned item Service Charges" in Row 41. Response: See document attached hereto as GOWC Cal PA-019-19.9.b.iii. (iv) Provide invoice copy of transaction recorded under "Others" – GoDaddy –Annual SSI certificate in Row 451.

Great Oaks Water Company Responses to Cal PA Data Request No. 019 9

ATTACHMENT IV-5: UNIFORM SYSTEM OF ACCOUNTS FOR WATER UTILITIES CLASS A, CALIFORNIA PUBLIC UTILITIES COMMISSION-PAGE: A114 (SEE ACCOUNT 773 BELOW)

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

5. Training and instruction of employees and preparation of instruction manuals by supervisors whose pay is chargeable hereto. Training by other employees should be charged to the appropriate functional account.

Expenses:

6. Consultants' fees and expenses.
7. Transportation, meals, and incidental expenses.

772. Meter Reading Expenses

This account shall include the cost of labor and of materials used and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters.

Items

Labor

1. Addressing forms for obtaining meter readings my mail.
2. Changing and collection of meter charts used for billing purposes.
3. Checking seals, and the like, when performed by meter readers and the quantity thereof is a minor part of meter reading activities.
4. Reading meters for billing purposes.
5. Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters.
6. Collections from prepayment meters when incidental to meter reading.
7. Maintaining record of customers' keys,
8. Computing estimated or average consumption when performed by employees engaged in reading meters.

Materials and Expenses:

9. Badges, lamps, and uniforms.
10. Meter books and binders and forms for recording readings, but not the cost of preparation.
11. Postage and supplies used in obtaining meter readings by mail.
12. Transportation, meals, and incidental expenses.

773. Customer Records and Collection Expenses

This account shall include the cost of labor and of materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

Items

Labor:

1. Receiving, repairing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to account appropriate for the work called for by such orders.
2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off.
3. Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.
4. Checking consumption shown by meter readers' reports where incidental to preparation of billing data.
5. Preparing address plates and addressing bills and delinquent notices.
6. Preparation of billing data.
7. Operation billing and bookkeeping machines.
8. Verification of billing records with contracts or rate schedules.
9. Preparing bills for delivery, and mailing or delivering bills.
10. Collecting revenues, including collection from prepayment meters unless incidental to meter reading operations.
11. Balancing collections, preparing collections for deposit, and preparing cash reports.

ATTACHMENT IV-6: "GOWC RESPONSE TO CAL PA 019" – 19.9.B (IV)

b. Acct 773 – Customer Records Maintenance	Acct 773 – FY 2017-2018	(iii) Provide invoice copy of transaction recorded under "Returned item Service Charges" in Row 41. Response: See document attached hereto as GOWC Cal PA-019-19.9.b.iii. (iv) Provide invoice copy of transaction recorded under "Others" – GoDaddy –Annual SSI certificate in Row 451.

Great Oaks Water Company Responses to Cal PA Data Request No. 019 9

		Response: See document attached hereto as GOWC Cal PA-019-19.9.b.iv.

ATTACHMENT IV-7: "GOWC RESPONSE TO ORA-010" – 10.12.A

10.12 Under Exhibit-E, WP4 - O&M Expenses; GOWC has provided recorded and forecasted costs of Account 775 - Uncollectible Accts. In Exhibit-E, WP45 - TY 2019-2020 Sales & Rvn, in columns K to R; GOWC has provided different costs of Uncollectible for the recorded years. An extract from each WP is shown as below:

Uncollectible	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
WP-4		24,105.50	20,101.94	26,700.18	21,805.38	79,940.31
WP-45	28,369.76	35,213.03	31,163.36	36,365.17	28,417.68	38,676.10

a. Please reconcile the above data and provide actuals of uncollectible Account for all recorded years, if different.

Great Oaks Water Company Responses to ORA Data Request No. 010 Expenses 8

Response: Actual uncollectible expenses are on WP-45. This is the net of bad debt write-offs minus recoveries. Account 775 also includes closing balance credits and stale checks, which have since been reclassified to unclaimed property. The non-taxable portion of bad debt is generally included in Account 775 on the Income Statement.

ATTACHMENT IV-8: "GOWC RESPONSE TO ORA-010" – 10.

Responses to Data Request No. 010 Expenses

O&M and A&G Expenses

10.1 Under Exhibit E, WP 4 O&M Expenses; Explain the reasoning for the hard-coded amount of $10,000 (Cell J31) in Projected 2018/2019 for account 765-Maint. Hydrants.

Response: As you can see in Cell F31 on WP4-O&M Expenses of Updated Exhibit E GRC Workpapers, the recorded expense for Account 765 in 2016/2017 was $9,960. This is the value upon which the projected 2018/2019 Account 765 expense is based. There is activity in this account each year, with some of the expenses due to third-party culpability (*e.g.*, auto accident causing damage to a hydrant). Many times, but not always, the expenses due to third-party liability are reimbursed through insurance (*see, e.g.*, Cell I31 for Projected 2017/2018), while

there are also times when the damage is the result of normal wear and tear (*e.g.*, replacement parts) or when there is third-party culpability, but the third party cannot be located (*e.g.*, hit-and-run accident). The value in Cell J31 is hard-coded because it is a simple estimate based upon the $9,960 expense in 2016/2017.

CHAPTER V: ADMINISTRATIVE AND GENERAL EXPENSES

A. INTRODUCTION

Great Oaks Water Company (GOWC) has estimated total Administration and General (A&G) expenses at $2,525,773 for Test Year (TY) 2019/2020, which is approximately 48% higher than the last recorded total of $1,708,772 in year 2016/2017. In this chapter, a detailed analysis is presented on the accounts with the highest dollar values covering 98% of the total Administration and General expenses for the TY 2019/2020. The details about the accounts are identified as below.

Employee Pension and Benefit ("P&B") expenses is the first major account which contributes about 36% of total Administration and General Expenses. The second major account that accounts for 21% of A&G expenses is outside services. The remaining major categories of expense are franchise requirements (18%), miscellaneous general expenses (9%), rents (9%) maintenance general plant (3%) and insurance (3%).

B. SUMMARY OF RECOMMENDATIONS

The Commission should approve an A&G expense budget of $2,343,014. Table V-1 below summarizes the difference between GOWC's forecast and the Public Advocates' recommendations for TY 2019/2020.

Table V-1: Summary of recommendations for TY 2019/2020

Administration & General (A&G) Expenses[115]	GOWC Proposed	Public Advocates Recommendation	Difference	% Difference
Acct 795 – Employee P&B	$ 907,200	$ 900,703	$ (6,497)	(1)%
Acct 796 – Franchise Req.	$ 455,456	$ 415,982	$ (39,474)	(9)%
Acct 798 - Outside Serv.[116]	$ 496,618	$ 496,618	$ 0	0%
Acct 799 – Misc Gen Exp[117]	$ 230,013	$ 155,027	$ (74,986)	(23)%
Acct 811 – Rents	$ 225,919	$ 170,346	$ (55,573)	(24)%
Acct 805 – Maint. Gen.	$ 77,098	$ 76,183	$ (915)	(1.19)%
Acct 793 – Insurance	$ 84,768	$	$ 0	0%
Total A&G Expenses[118]	**$ 2,560,459**	**$**	**$ (217,445)**	**(8)%**

[115] *Updated Exhibit E GRC Workpapers*, tab "WP6 – A&G Expenses".
[116] *Updated Exhibit E GRC Workpapers*, tab "WP 6 – A&G Expenses", under cell K19.
[117] *Updated Exhibit E GRC Workpapers*, tab "WP 6 – A&G Expenses", under cell K20.
[118] *Updated Exhibit E GRC Workpapers*, tab "WP 6 – A&G Expenses", under cell K26.

C. DISCUSSION

1. ACCOUNT 795 – EMPLOYEE PENSION & BENEFITS ("P&B")

GOWC forecasts P & B expenses for TY 2019/2020, at $985,893.[119] This is an increase of about 11% from their last recorded year 2016/2017. GOWC's employee benefits includes the following: bereavement leave, dental, accidental death and dismemberment insurance (AD&D), life insurance, subsidized employee water, contribution to health savings account bills, medical insurance, pension plan expense, sick-leave payouts, vacation and other miscellaneous benefits.[120] The major contributors to this account are discussed in detail below:

a) Pension Plan Expenses

For TY 2019-2020, pension plan expenses account for more than 50% of the total employee pension & benefits expenses. GOWC has projected total pension plan expenses at $692,319.[121] Total Pension Plan Expenses include annual contributions, Pension Benefit Guaranty Corporation ("PBGC") contribution, retiree maintenance, Net Periodic Benefit Cost (SFAS 87 / ASC 715 Report), bank charges, administration fees, participant charges and other expenses. Expense item "Annual Contribution" is more than 95% of GOWC's total pension plan expense. GOWC forecasts "Annual contribution" at $680,000 for TY 2019/2020, which is a consistent with the amount adopted in GOWC's previous general rate case.[122]

The Public Advocates Office does not object to GOWC's forecast of total pension plan expenses. GOWC's additional request for modification of "terms and conditions" in pension expenses balancing account (PEBA) is addressed under CHAPTER XI: Balancing and Memorandum Accounts in this report.

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[119] *Updated Exhibit E GRC Workpapers*, tab "WP 7 – Employee Benefits", row: 53.
[120] *Updated Exhibit E GRC Workpapers*, tab "WP 7 – Employee Benefits".
[121] *Exhibit E GRC Workpapers*, tab "WP7 – Employee Benefits", under Cell: R43.
[122] D.16-05-041.

b) "Medical Insurance" and "Dental, Accidental Death and Dismemberment (AD&D), Life Insurance"

The second largest category of P&B expenses are costs related to medical insurance and dental insurance expenses, which is about 23% of the total P&B expenses. For TY 2019/2020, GOWC forecasts medical insurance expenses at $175,818 and dental expense at $49,579.[123]

GOWC's projects an increase to TY 2019/2020 medical insurance and dental insurance expenses of 5% which are based on an insurance projection over the next 3 years[124] provided by its insurance agency.[125]

In discovery, GOWC explained the TY 2019/2020 forecast of medical insurance[126] and dental insurance[127] were based on projected year 2018/2019 amounts and escalated with percentage factors provided by its insurance agency. Additionally, GOWC makes an adjustment (addition) to reflect medical and dental insurance costs of proposed new employees.[128]

Similarly, GOWC's projected year 2018/2019 was based on year 2017/2018. GOWC was requested to provide invoice copies of medical and dental insurance. The invoice copies provided coincided with amounts reported in GOWC's ratemaking workpapers.[129]

GOWC projects TY 2019/2020 medical insurance expenses to increase 5% from projected year 2018/2019 expenses, which is consistent with independent professional projections researched by the Public Advocates Office.[130] Therefore, the Public

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[123] GOWC GRC Application A1807002– "Exhibit E GRC Work papers – WP7 Employee Benefits"
[124] GOWC GRC Application A1807002 - under Exhibit D and Chapter 5, document titled "Exhibit 5-2"
[125] Attachment V-1: "GOWC Response to Cal PA-021", - Q.21.1.d.
[126] Attachment V-2: "GOWC Response to Cal PA-021", - Q.21.1a.
[127] Attachment V-3: "GOWC Response to Cal PA-021", - Q.21.3a.
[128] GOWC GRC Application A1807002– "Exhibit E GRC Work papers" under tab "WP7 - Employee Benefits"
[129] Attachment V-4: "GOWC Response to Cal PA-021", under Q.21.1.e in page 3 and under Q.21.3b in page 4
[130] Please refer link: https://www.pwc.com/us/en/health-industries/health-research-institute/assets/pdf/hri-behind-the-numbers-2019.pdf by Pricewaterhouse Cooper (PwC) Health Research Institute's publishing on "Medical cost

Advocates does not object to GOWC's medical insurance and dental insurance forecast for TY 2019/2020.

c) Health Saving Account (HSA) employer contribution

HSA employer contribution constitutes about 9% of the total employee benefit costs. For TY 2019/2020, GOWC forecasts HSA employer contribution costs at $91,625.

GOWC's forecasts HSA contributions for TY 2019/2020 based on projected year 2018/2019[131] with an adjustment (addition) for new employee(s).

In discovery, GOWC provided monthly HSA contributions in year 2017/2018 as shown in Table V-2 below.[132]

Table V-2: GOWC's HSA Contribution in Fiscal Year 2017/2018.

Health Plan	Number of Employees	GOWC's Contribution Per Month for Each Employee
Family Coverage [IRS Code 223(b)(2)(B)]	12	First 6 months – $445.83
		Last 6 months – $475.00
Individual/Self-Coverage [IRS Code 223(b)(2)(A)]	5	First 6 months – $258.33
		Last 6 months – $287.50

GOWC's proposed annual employer contribution of $91,625 (approximately $4,363 per employee) is consistent with general employer contribution trends for a company employing less than 50 employees.[133] The Public Advocates Office, therefore do not object to GOWC's HSA contribution forecast for TY 2019/2020.

d) Others

This category of benefit costs includes: employee water reimbursements, holidays and vacation. The detailed analysis of each of the above-mentioned benefit is discussed below.

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trend: Behind the numbers 2019" released on June 2018. Refer page: 3. A copy of this document is available on request.

[131] Attachment V-5: "GOWC Response to Cal PA-021", - 21.2.a.

[132] Attachment V-6: "GOWC's response to Cal PA-021" - 21.2.b.

[133] Please refer link: http://blog.ubabenefits.com/2015-uba-health-plan-survey by United Benefit Advisors-executive summary, pages: 12 to 15. A copy of this document is available on request.

1) Employee Water Reimbursements

GOWC provides reimbursement of water rates for employees "if they live in the Great Oaks service area."[134] GOWC uses 3% as an escalation factor of previously recorded amounts to arrive at the estimated cost of this benefit for TY 2019/2020. [135] GOWC explains that the 3% escalation factor is based on actual expected increase in costs using the same estimation methodology employed in Great Oaks' 2015 GRC.[136]

GOWC's proposed reimbursement of employee water rates is a cost borne by all other ratepayers. As the actions of employees can have a direct impact on the costs of operating the water system, it can create a perverse incentive when the consequences of those actions are minimized by employees being made immune to the increased costs of providing water service. An alternative program might attempt to better align employee incentives with improved services to all ratepayers. As the Public Advocates Office's analysis of GOWC's salaries[137] suggests proposed annual percentage increases are more than reasonable, the Commission should remove the cost of GOWC's proposed employee water reimbursements from ratemaking[138] budgets and allow GOWC to present a similarly priced program that better aligns employee incentives with benefits afforded all ratepayers in a subsequent general rate case.

2) Holiday and Vacation-Other

GOWC estimates Holiday and Vacation expenses on projected year 2018/2019 and applies the escalation factor of 5% which is GOWC's projected increase in salaries for TY 2019/2020.[139]

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[134] Attachment V-7: "GOWC Response to Cal PA 019" - 19.7.b.(ii)
[135] GOWC GRC Application A1807002 – "Exhibit E GRC work papers – WP7 Employee benefits"
[136] Attachment V-8: "GOWC Response to ORA-002" - 1.3.a.
[137] Salary expenses are discussed in detail under Chapter VI – Payroll expenses in this report.
[138] The distinction made for "ratemaking budgets" allows GOWC to continue this program at its discretion without having the costs borne by ratepayers.
[139] Attachment V-8: "GOWC Response to ORA-002" - 1.3.a

The Public Advocates Office uses the same methodology and forecasts Holiday and Vacation expenses based on its payroll recommendations for TY 2019/2020. To arrive at TY 2019/2020 forecast, Holiday and Vacation expenses are escalated at 1.8% on projected year 2018/2019, which is consistent with the Public Advocates Office's Salary forecast.[140]

Table V-3 below shows an overview of the recommended holiday and vacation expenses for TY 2019/2020. The Commission should adopt the Public Advocates Office's recommendation shown below.

Table V-3: Overview of GOWC's forecast and Cal PA's Recommendations

Employee benefits	GOWC Proposed	Public Advocates Recommendation	Difference
Holiday	$41,652	$35,009	$(6,643)
Vacation - Other	$7,483	$7,034	$(449)

2. ACCOUNT 796 – FRANCHISE REQUIREMENT

GOWC forecasts franchise requirement expenses at $455,456 for the TY 2019/2020. [141] GOWC bases its forecasts on "Total Operating Revenues (excluding CPUC fees)."[142] Franchise requirement is a percentage of gross revenue which is generally paid as fees to the city, in this case to the City of San Jose Municipality. GOWC estimates the franchise requirement percentage at 2% based on City of San Jose Municipal Code Section 15.40.410.[143]

In discovery, GOWC provided a sample franchise fee calculation for "2018-06", which shows that the franchise fee is calculated based on "City Taxable Sales". [144] For TY

[140] Salary expenses are discussed in detail under Chapter VI – Payroll expenses in this report.
[141] GOWC GRC Application A1807002 forecasts franchise requirement at $452,569. In GOWC's 45-day update, under Updated Exhibit E GRC workpaper, under WP6 A&G expenses, under Cell K17 GOWC provides revised franchise fees at $455,456.
[142] GOWC GRC Application A1807002 - 45-day update– "Updated Exhibit E GRC work papers – WP42 – test year 2019-2020 Smry", under cell: E15.
[143] Attachment V-9: "GOWC Response to ORA-010" under 10.15ba and 10.15.b. The MS Excel sheet provided as a support under document titled "GOWC ORA-010-10.15.b" is available upon request.
[144] Attachment V-9: "GOWC Response to ORA-010" under 10.15ba and 10.15.b. The MS Excel sheet provided as a support under document titled "GOWC ORA-010-10.15b Franchise Fee Calculation" is available upon request.

2019/2020, GOWC bases the forecast of franchise requirement on "Total Operating Revenues" and not on "city taxable sales."

In discovery, GOWC provided recorded city taxable sales for the last six recorded years. Data for four of the six years showed that city taxable sales ranged from 89% to 92% of the total revenue. The Public Advocates Office estimated "city taxable sales" for TY 2019/2020 based on the annual average percentage of the last five recorded years (2012/2013 to 2016/2017), which is illustrated in Table V-4 below.[145]

Table V-4: GOWC's Recorded Data for Last Five Years

	Recorded						5-Year Average Recommended for TY 2019/2020
	Description	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	
(a)	Total Operating Revenue ($)	14,798,405	16,578,051	15,324,105	14,305,104	15,356,530	
(b)	Total City Taxable Sales ($)	13,230,977	14,824,524	14,117,180	14,658,880	15,375,251	
(c)	Percentage of Total Revenue as City Taxable Sales [(a)/(b)]	89%	89%	92%	102%	100.12%	95%

A more reasonable estimate of "City taxable sales" is 95%, which is the five-year annual average percentage increase on the total forecasted operating revenue of $22,772,805, this results to $21,568,111 as "city taxable sales" in TY 2019/2020. Therefore, the franchise requirement expenses can be forecasted by applying 2% to the estimated "city taxable sales" of $21,568,111. This result is $415,982 in estimated franchise requirements for TY 2019/2020.[146] Table V-5 below shows the overview of the recommendation and the difference.

[145] Attachment V-10: "GOWC Response to Cal PA-019" - 19.8.d.
[146] Attachment V-11: "GOWC ORA-010-10.15b". 2% franchise fee is GOWC's proposal based on Code of City of San Jose provided by GOWC under document titled

Table V-5: Overview of Franchise Fee Recommendation for TY 2019/2020

For TY 2019/2020	GOWC Proposed	Public Advocates Recommendation	Difference
Acct 796 – Franchise Requirement	$455,456	$415,982	$(39,474)

The Commission should adopt a franchise fee of $415,982, a reasonable estimate based on projected city taxable sales. Any other differences between estimates of GOWC and the Public Advocates Office is the result of difference in forecasted revenue requirement.

3. ACCOUNT 798 – OUTSIDE SERVICES

GOWC forecasts outside services at $496,618 for TY 2019/2020; an increase of more than 150% since the last recorded $195,501 in recorded year 2016/2017. GOWC bases its projection on year 2017/2018. In year 2017/2018, outside services consist of expenses related to answering service/pagers, certifications, Certified Public Accountant (CPA) fees, Internet service provider costs, intervener's cost, legal costs, ground water rights, succession planning, State Water Resource Control Board (SWRCB) fees, water testing and expenses towards WaterSmart pilot program. The main reason for the increase in TY 2019/2020 outside services is GOWC's proposal for full implementation of the WaterSmart program,[147] new Credit Card pilot program and water testing expenses.

In response to discovery, GOWC provided an explanation on each numerical component used in work paper to project total outside expenses for TY 2019/2020. [148] Additionally, GOWC provide detailed recorded transactions for TY 2017/2018.[149] In order to conduct an audit of the recorded transactions, a random sample of transactions were selected to verify with invoice copies. In response to additional discovery, GOWC provided the invoice copies for requested transactions. [150] No anomalies were found in the

[147] GOWC GRC Application A1807002, under point I.4(c) in Page: 4.
[148] Attachment V-12: "GOWC Response to ORA-010" - 10.11.a
[149] GOWC provided detailed account transactions for selected accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5a" under tab "Acct 798- FY 2017-2018." This document is available upon request.
[150] Attachment V-13: "GOWC Response to Cal PA-019" - .19.9.e.

invoices during this review. GOWC's adjustments to outside services costs related to the expansion of the WaterSmart program, proposal for a new Credit Card pilot program and estimated water testing expenses are discussed in detail below.

a) Proposal for Full Implementation of WaterSmart Program

Per previous GRC funding, GOWC conducted a WaterSmart pilot program[151] on 10,000 single-family residents.[152] The cost of the pilot program was included in 2015 rates. In the current GRC, GOWC requests full implementation of the WaterSmart program.[153]

In its GRC Application, GOWC provides reasons for implementation of WaterSmart software for all ratepayers. GOWC's water report on the pilot program at the end of one year showed that about 84% of the WaterSmart program customers were able to understand their water usage, about 60% of WaterSmart program customers considered helpful in saving money and for about 64% of WaterSmart program customers saw efficiency in water usage.[154] GOWC proposes $105,658 as the renewal cost for the WaterSmart Program, which is $15,261 higher than the existing cost of the program. [155] GOWC shows an adjustment (addition) of $15,261.41 for TY 2019/2020. [156] In response to a discovery, GOWC provided supporting documentation for $105,658 for annual

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[151] GOWC GRC Application A1807002: "Exhibit D Report on Results of Operation – CHPATER 9 Conservation and Efficiency" refer page 1, point A.1. WaterSmart Pilot Program is one of GOWC's "measures taken to promote water conservation in the last five years and the proposed test years." WaterSmart program uses "WaterSmart Software" that records information on actual water usage, the customer's water usage compared to similar water users and valuable information about how customers may conserve water through specific water-saving actions.

[152] Attachment V-14: "GOWC Response to ORA-010" -10.7.b.

[153] GOWC GRC Application A1807002, under point I.4(c) in Page: 4.

[154] GOWC GRC Application A1807002 – "Exhibit D Report on Results of Operations" under "Chapter 9 Conservation and Efficiency", in pages 1 and 2

[155] GOWC GREC Application A1807002 – "Exhibit D Report on Results of Operations" under "Chapter 9 Conservation and Efficiency", in point f, pages 2.

[156] GOWC GRC Application A1807002 – "Exhibit E GRC Workpapers" under tab "WP6 - A&G Expenses" in Cell K19 – "(105658-90396.59)"

renewal costs of 3-year agreement.[157] GOWC's projected cost adjustment in the workpapers and the amount on renewal document matched, and no anomalies were found during the review.

An audit was conducted to verify the expenses recorded for WaterSmart and the invoices paid in year 2017/2018. In response to discovery,[158] GOWC provided supporting documents for payments made to "WaterSmart software Inc" in year 2017/2018. No anomalies were found in the invoices during this review.

After a detailed review of the reasons for implementation and the cost projections of the program, the Public Advocates Office does not object with GOWC's request for full implementation of the WaterSmart Program.

b) Proposal for a New Credit Card Pilot Program

In its GRC Application,[159] GOWC proposes to implement a new credit card pilot program based on Public Utility (P.U.) Code section 755.5. GOWC estimated the cost of the "pilot" program at $51,976.34 for TY 2019/2020. [160] After the review of proposed cost by the credit card vendor for a 3-year agreement to provide credit card services and additional clarification provided by GOWC in a discovery, no anomalies were found in the document.[161]

Under P.U. Code 755.5, a water utility is eligible for a credit card pilot program to "assess the cost effectiveness" of customer's bill payment options. The code section limits the duration of the pilot program to one rate case cycle and prevents recovery of program costs from low-income customers.

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[157] GOWC provided response to DR-010-Epenses for 10.8.a.(ii) under document titled "GOWC ORA-010-10.8a." This document is available upon request.
[158] Attachment V-15: "GOWC Response to Cal PA-010" - Q.10.7.d.
[159] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operation, chapter 4 Operating Expenses", under point 26 to point 31 in pages 29 and 30.
[160] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operation, chapter 4 Operating Expenses, Exhibit 5-3"
[161] Attachment V-16: "GOWC Response to ORA-019" - 10.9.b.

In the application, GOWC asserts that the purpose of this pilot program is to waive the convenience fee currently charged directly to credit card users. In response to discovery, GOWC specified that the cost of the pilot program is proposed to be incorporated in rates and "not included" in the rates of Low-Income Program (LICAP) customers.[162]

As GOWC's proposal is consistent with P.U. Code 755.5, the Public Advocates Office does not oppose the pilot program or the estimated costs of $51,976 included in TY 2019/2020 revenue requirements. As detailed in the Public Advocates Office's testimony on Memorandum and Balancing Accounts, a memorandum account to track all costs of the pilot program should be authorized and will capture any variance with the estimated costs that are included in revenue requirements

c) Water Testing Expenses

In its GRC Application, GOWC forecasts water quality compliance (testing) expenses at $197,264.[163]

In response to discovery issued by the Commission's Water Division, GOWC submitted a revised estimate for various expenses related to water quality compliance.[164] GOWC increased TY 2019/2020 forecast for Bacteriological Monitoring expense by $16,101. GOWC's indicated that the effect was an overall decrease from the August update of recorded expenses.[165] However, the revisions presented by GOWC in accompanying workpapers did not appear to be an update of recorded costs, but rather an update only to test year projections which conflicts with the authority provided by the

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[162] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operation, chapter 4 Operating Expenses", under point 26 to point 31 in pages 29 and 30.
[163] Attachment V-12: "GOWC Response to ORA 010" - 10.11.a. GOWC explains the breakdown of outside services explaining the expenses incurred towards Water quality compliance (testing) expenses.
[164] The only change shown by GOWC in "Corrected Exhibit D Chapter 3 Page 6" is the Bacteriological Monitoring expenses. GOWC corrected Bacteriological Monitoring expenses from $109,862 in the application to $68,148.23.
[165] Attachment V-17: Email from GOWC subject: "A1807002 - Great Oaks Water Company GRC" on October 19, 2018.

Commission.[166] Due to the timing when GOWC provided its proposed revisions,[167] there was inadequate time to conduct and incorporate additional discovery in the Public Advocates Office's report and testimony. Absent a clear and supported explanation by GOWC on why it is reasonable to increase its test year estimate of water quality testing expenses by $16,101 more than amounts contained in its application workpapers, the Commission should not consider increasing the proposed expenses.

After the detailed analysis and audit of GOWC's recorded transactions, special requests and sample invoices in Account 798 – Outside Services explained above, the Commission should adopt no changes to GOWC's forecasted outside services of $496,618 in the application for TY 2019/2020.

4. ACCOUNT 799 – MISC. GEN. EXP

GOWC forecasts miscellaneous general expenses at $230,013. GOWC bases its forecast on year 2017/2018. Expenses included in year 2017/2018 under this account are: classes/meetings, contributions-political, director fees, American Water Works Association (AWWA), CA Water conservation Organizations, Conference of California Public Utility Counsel (CCPUC) membership, California Water Association (CWA), State bar of California membership, west information, other dues and subscription, gifts, labor, licenses, others, payroll fees, short (over) cash adjustments.

a) Expenses Related to California Water Association (CWA) Expenses

In response to discovery,[168] GOWC explained each cost component used to forecast miscellaneous general expenses for TY 2019/2020.[169] According to GOWC, the forecasted amount includes an adjustment (addition) of $75,188 that "represents Great

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[166] Please refer Rate Case Plan under D.07-05-062
[167] GOWC emailed revisions on Friday October 19, 2018 which the Public Advocates Office became aware of on Monday, October 22, 2018
[168] Attachment V-18: "GOWC Response to ORA 010" - 10.11.b.
[169] GOWC GRC Application A1807002– "Exhibit E GRC Workpapers" under tab "WP6 A&G Expenses" under Cell: K20 – "(75188*0.7)"

Oaks' costs for membership in the California Water Association (CWA) for the Test Year" and "0.7 – represents the portion of the CWA expenses included in rates (i.e., 70 percent)". Prior to this discovery,[170] GOWC provided detailed account transactions for year 2017/2018, which showed recorded transactions of $72,066 related to CWA expenses.[171]

GOWC's methodology of using year 2017/2018 (which includes CWA) to forecast for TY 2019/2020 and again including CWA expenses to TY 2019/2020 forecast leads to double counting of CWA expenses in this account. The Commission should remove the double-counted CWA expenses of $72,066 included as an adjustment in this account.

b) Expenses Related to Political Contributions and Gifts

In the year 2017/2018, GOWC includes transactions related to political contributions at $500[172] and gifts at $76.45.[173] GOWC's TY 2019/2020 forecasts for this account are based on the year 2017/2018.

The Commission has well-established precedent that gifts and political contributions are not appropriate ratepayer expenses to include in revenue requirements. The Commission's Uniform System of Accounts (USOA) is clear that pertaining to Account 799 Miscellaneous General Expense, costs for "political matters shall not be included herein but charged to Account 538, Miscellaneous Income Deductions." Therefore, the Commission should disallow expenses related to political contributions

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[170] GOWC provided detailed account transactions for selected accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5a" under tab "Acct 799- FY 2017-2018." This document is available upon request.
[171] GOWC provided detailed account transactions for selected accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5a", under Tab "Acct 799 – FY 2017-2018," refer rows: 131 to 144. This document is available upon request.
[172] GOWC provided detailed account transactions for selected accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5a", under Tab "Acct 799 – FY 2017-2018" refer rows: 47 and 48. This document is available upon request.
[173] GOWC provided detailed account transactions for selected accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5a", under Tab "Acct 799 – FY 2017-2018" refer rows: 174 to 178. This document is available upon request.

recorded at $500 and gifts recorded of $76.45 from projected year 2017/2018 and correspondingly reduce TY 2019/2020 revenue requirements.

The Commission should adopt the Public Advocates Office's recommendation of $155,027 for account 799 - miscellaneous general expenses, which is a more reasonable estimate based on year 2017/2018 after disallowing duplicated CWA expenses and below-the-line costs like political contributions and gifts.[174]

5. ACCOUNT 811 – RENTS

For TY 2019/2020, GOWC estimates rent expenses of $225,919 for its commercial office space. GOWC rents office space from its parent company Great Oaks Water LLC.[175] Although the costs of this transaction with an affiliate are included in revenue requirements, GOWC did not disclose this information as required in minimum data requirements.[176]

The lease agreement between GOWC and its corporate parent indicates 8,669 square feet of rentable space. At GOWC's proposed rent expense of $225,919 in TY 2019/2020, ratepayers would be asked to fund GOWC's office space at approximately $26 per square foot per year.[177] This is a rate significantly above the market rent for space in the same location.

Currently, GOWC's parent company Great Oaks Water LLC is making available for lease space in the same building at $19 per square feet per year.[178] The market rent being charged by Great Oaks Water LLC is nearly 27% less than the rent it proposes to charge its regulated affiliate and its captive customers in the test year. Even escalating

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[174] "Below-the-Line" is the term typically used in ratemaking for costs that should be recovered from ratepayers but rather placed below the line for net income so as to become the funding responsibility of shareholders.
[175] Attachment V-19: GOWC Responses to Cal PA-010 for Q.10.5.a under document titled "Lease-GOWC-20 Great Oaks Blvd-1-1-2009 to 12-31-2014."
[176] GOWC GRC Application A1807002 – "Exhibit D report on Results of Operation" under "Chapter 3 Company Operations and Basic Information" refer response to MDR II.I.1 in page: 11.
[177] $225,919 divided 8,669
[178] Attachment V-20: 20 Great Oaks Blvd, lease per square feet.

the current market rent by 3% annually to reach the test year results in ratepayers still being asked to fund proposed rents at nearly 24% higher than the market rate.

The Commission should adopt total rent expense $170,346 for TY 2019/2020. This is approximately 24% less than GOWC proposed in its application and results in approximately $55,573 savings to ratepayers. Table V-6 below summarizes GOWC's forecast and the Public Advocates Office's recommendation for TY 2019/2020.

Table V-6: Overview of Recommendation

	Description	GOWC Proposal	Public Advocates Recommendation	Difference	
				$	%
(a)	Rentable Square Feet of the Premises	8,669	8,669	$0	0%
(b)	Rent Expenses Per Square Feet	$26	$19.65	$6.35	24.4%
(c)	Rent Expenses (a*b)	$225,919	$170,346	$55,573	24.4%

6. ACCOUNT 793 – INSURANCE

For TY 2019/2020, GOWC estimates Account 793-Insurance at $84,768. GOWC forecasts this amount by using $83,433 in projected year 2018/2019 and escalating at 1.6%. Similarly, to arrive at projected year 2018/2019 estimate, GOWC escalated $82,119 in year 2017/2018[179] with escalation rate of 1.6%.

Per USOA, this account "shall include the cost of insurance."[180] GOWC's forecast of insurance premium expenses is adjusted to match the projected inflation based on estimated non-labor escalation rates from the Public Advocates Office's Escalation Memorandum issued in May 2018 at rate 1.6%,[181] which is a generally accepted adjustment. Therefore, the Public Advocates Office does not object to GOWC's forecast of Account 793 - Insurance for TY 2019/2020.

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[179] GOWC GRC Application A1807002 - 45-day update "Exhibit E GRC Workpapers" under tab "WP6-A&G Expenses" in cell: K14

[180] Attachment V-21: D. 16-11-006 Uniform Systems of Accounts for Class A and for Class B, C, and D Water Utilities page A136

[181] Attachment IV-1: "Escalation May 2018"

7. ACCOUNT 805 – MAINTENANCE OF GENERAL PLANT

GOWC is requesting $77,097[182] for TY 2019/2020 in "Account 805- Maint. Gen. Plant." GOWC bases the forecast on projected year 2018/2019. The amount of $75,883 for projected year 2018/2019 is estimated by escalating expenses incurred in year 2017/2018 by 1.6%. In year 2017/2018, GOWC recorded expenses of $74,688, which included transport clearing, janitor, labor, tools and supplies, uniform / boots and power expenses.[183] The use of GOWC's most recently available recorded data for year 2017/2018 provides a reasonable basis for estimation.

In response to discovery, GOWC provided detailed recorded transactions for year 2017/2018. During the review, it was identified that GOWC included in this account "power" expenses paid to "PG&E", which amounted to $885.99.[184]

In response to additional discovery, GOWC explained that "the charges were inadvertently charged" and continued to state that "the charges will be moved to the correct account." GOWC also provided invoice copies for those transactions and no anomalies were found. [185]

The Commission should disallow "power" expenses of $855.99 in projected year 2017/2018. For TY 2019/2020, the Commission should adopt the total forecasted expenses of "Account 805 - Maintenance of General Plant" at $76,183, which is the escalated amount after disallowing "power" expenses in year 2017/2018.

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[182] GOWC GRC Application A1807002 - 45-day update, under "Updated Exhibit E GRC Workpapers" under tab "WP6 – A&G expenses", refer cells: I22, J22, K22, GOWC provides revised estimate.
[183] GOWC provided detailed account transactions for selected accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5a", under Tab "Acct 805 – FY 2017-2018." This document is available upon request.
[184] GOWC provided detailed account transactions for selected accounts for year 2017/2018 under document titled "GOWC ORA-004-4.5a", under Tab "Acct 805 – FY 2017-2018" refer rows: 388 to 395. This document is available upon request.
[185] Attachment V-22: "GOWC Response to Cal PA-019" - Q.19.9.f.(xiv) and (xv)

D. CONCLUSION

For all the reasons discussed above, the Commission should adopt the Public Advocates Office's recommendation of $2,343,014 in TY 2019/2020 as a total administration and general expense budget.[186]

[186] Please refer to the 'Table V-1 Summary of Recommendation for TY 2019/2020' under Table-1 of this chapter with individual account breakdown. Please refer to the 'Public Advocates Recommendation' column.

ATTACHMENT V-1: "GOWC RESPONSE TO CAL PA-021" – 21.1.D

b. Is "Medical Insurance" mentioned in cell B26 under "WP7 – Employee benefits" the same as "Health Insurance" mentioned in page-28 under "Exhibit-D", "Chapter 5 Operating Expenses"?

Response: Yes.

c. If the answer to question (a) is "No", please explain how "Medical Insurance" mentioned in cell B26 under "WP7 – Employee Benefits" is forecasted for all projected years.

Response: No answer required.

d. Please provide the full name of the "agency" as mentioned under "Exhibit-D", "Chapter 5 Operating Expenses".

Great Oaks Water Company Responses to Cal PA Data Request No. 021 Expenses 2

Response: Professional Insurance Associates, Carpenter Benefits.

ATTACHMENT V-2: "GOWC RESPONSE TO CAL PA-021" – 21.1.A

21.1 Medical Insurance

In Your document titled, "Exhibit E GRC Workpapers," in tab "WP7 – Employee benefits", GOWC provides calculations of employee benefit expenses. In "Exhibit-D", in Your document titled, "Chapter 5 Operating Expenses" , GOWC states the below:

> "Employee health insurance costs continue to increase, as shown in **Exhibit E**, GRC Workpapers, pages WP-6 and WP-7. Test Year employee health insurance expenses have been projected by the agency that has provided health insurance brokerage services to the Company for many years. See **Exhibit 5-2**." [Highlight added]

With reference to the "WP7 – Employee Benefits" and "Exhibit-D", "Chapter 5 Operating Expenses", the below table shows the calculation provided by GOWC for project years.

From WP7 – Employee benefits	Projected PUC FY 17/18 (Cell: P26)	Projected PUC FY 18/19 (Cell: Q26)	Test Year PUC FY 19/20 (Cell: R26)	Escalation Year PUC FY 20/21 (Cell: S26)	Attrition Year PUC FY 21/22 (Cell: T26)
Medical Insurance	133,943	155,623	175,818	198,984	224,664
Cell description	133942.53	=(P26*(1+E26))+((509.06-153.39)*12)	=Q26*(1+F26)+(275.84*12)	=(R26*(1+G26))+((1026.88-345.25)*6)	=(S26*(1+H26))+((1026.88-345.25)*6)

Please answer the following questions:

a. Please explain each numerical expense component identified under "Cell description" in the table above.

Response: For 2017/2018, 133,942.53 is the net expense for medical/health insurance (Kaiser Permanente). It is comprised of Kaiser premiums minus employee medical payroll deductions.

Cells E26, F26, G26, and H26 refer to escalation factors provided by the "agency."

The following are December 2017 to November 2018 actual premium rates used to estimate a new hire's net medical/health costs: (1) $509.06 monthly premium minus $153.39 employee deduction ($509.06 assumes a married employee with one or more dependents); (2) $275.84 monthly premium at the individual premium rate; (3) $1,026.88 monthly premium minus $345.25 employee deduction ($1,026.88 assumes a married employee with dependents).

If these amounts are multiplied times 12, the assumption is the new hire is a July hire. If these amounts are multiplied times 6, the assumption is the new hire is a January hire.

ATTACHMENT V-3: "GOWC RESPONSE TO CAL PA-021" – 21.3.A

21.3 Dental, AD&D, Life Insurance

In Your document titled, "Exhibit E GRC Workpapers," in tab "WP7 – Employee benefits", GOWC provides calculations of employee benefit expenses. The below table shows the calculation provided by GOWC for project years.

From WP7 – Employee benefits	Projected PUC FY 17/18 (Cell: P16)	Projected PUC FY 18/19 (Cell: Q16)	Test Year PUC FY 19/20 (Cell: R16)	Escalation Year PUC FY 20/21 (Cell: S16)	Attrition Year PUC FY 21/22 (Cell: T16)
Dental, AD&D, Life Insurance	40,978	46,183	49,579	53,636	56,318
Cell description	40977.54	=(P16*(1+E16))+(263.02*12)	=(Q16*(1+F16))+(90.62*12)	=(R16*(1+G16))+(263.02*6)	=S16*(1+H16)

Please answer the following questions:

a. Please explain each numerical expense component identified under "Cell description" in the table above.

Response: 40,977.54 is the sum of the July 2017 to June 2018 invoices from MetLife. Cells E16, F16, G16, and H16 refer to escalation factors provided by the agency.

The following are 2018 actual premium rates used to estimate a new hire's dental/AD&D/life insurance cost: (1) 263.02 assumes a married employee with dependents; and (2) 90.62 assumes and individual employee.

If these amounts are multiplied times 12, the assumption is the new hire is a July hire. If these amounts are multiplied times 6, the assumption is the new hire is a January hire.

ATTACHMENT V-4: "GOWC RESPONSE TO CAL PA-021" – 21.1.E AND 21.3.B

21.1.e:

> **e.** Provide invoice copies of payments made to insurance agency for the year 2017-2018 incurred towards "Medical Insurance" mentioned in cell B26 under "WP7 – Employee Benefits."
>
> Response: See documents attached hereto as GOWC Cal PA-021-21.1.e.

21.3.b:

> **b.** Provide invoice copies/supporting documents of "Dental, AD&D, Life Insurance" for the year 2017/2018, if any.
>
> Response: See documents attached hereto as GOWC Cal PA-021-21.3.b.

ATTACHMENT V-5: "GOWC RESPONSE TO CAL PA-021" – 21.2.A

21.2 HSA Employer Contribution

In Your document titled, "Exhibit E GRC Workpapers," in tab "WP7 – Employee benefits", GOWC provides calculations of employee benefit expenses. The below table shows the calculation provided by GOWC for project years.

From WP7 – Employee benefits	Projected PUC FY 17/18 (Cell: P23)	Projected PUC FY 18/19 (Cell: Q23)	Test Year PUC FY 19/20 (Cell: R23)	Escalation Year PUC FY 20/21 (Cell: S23)	Attrition Year PUC FY 21/22 (Cell: T23)
HSA Employer contribution	80,775	87,325	91,625	95,325	99,025
Cell description	80774.66	=(P23+(50*17))+(475*12)	=(Q23+(50*17))+(287.5*12)	=(R23+(50*17))+(475*6)	=(S23+(50*17))+(475*6)

Please answer the following questions:

a. Please explain each numerical expense component identified under "Cell description" in the table above.

Response: 80,774.66 is the total of all of the employer HAS contributions made in 2017/2018. The contribution varies by employee and their type (family or individual). In the first half of the year, the family amount was 445.83 and the individual amount was 258.33. In the last half of the year, the amounts were 475.00 and 287.50, respectively.

ATTACHMENT V-6: "GOWC RESPONSE TO CAL PA-021" – 21.2.B

b. Provide invoice copies/supporting documents of "HSA Employer contribution" for the year 2017/2018, if any.

Great Oaks Water Company Responses to Cal PA Data Request No. 021 Expenses 3

Response: Because this is a payroll contribution, there are no invoices. See Excel file attached hereto as GOWC Cal PA-021-21.2.b. for details of the payroll contributions. Employee names have been redacted to preserve privacy.

ATTACHMENT V-7: "GOWC RESPONSE TO CAL PA 019" - 19.7.B.(II)

b. Under Column F in Row 18, GOWC uses "3.000%" as an escalation factors for Employee Water Reimbursements.

(i) Please explain the reason behind using 3.000% as an escalation factor for forecasting expenses for TY.

Response: At the time the supporting calculations for the General Rate Case application were performed, three percent was believed to be a conservative estimate for the expected increase in the cost of water service.

(ii) Describe in brief the purpose of this expense.

Response: Employee Water Reimbursements are a long-time employee benefit for those employed by Great Oaks if they live in the Great Oaks service area.

ATTACHMENT V-8: "GOWC RESPONSE TO ORA-002" - 1.3.A.

1.3 Exhibit E; WP 7 Employee Benefits: GOWC provides the breakdown for calculation of employee benefits. And extract from the work paper is shown below:

[extract omitted]

a. Explain how the different escalation factors were obtained. Provide all supporting documents:

(i) Employee Water Reimbursements (3.000%)

Response: This escalation factor is based upon the actual expected increase in costs using the same estimation methodology employed in Great Oaks' 2015 GRC.

ATTACHMENT V-9: "GOWC RESPONSE TO ORA-010" – 10.15.A AND 10.15.B

10.15 Exhibit E, WP-42, GOWC provides Test Year 2019-2020 Summary. Under Cell E-41 GOWC provides the calculation of the franchise requirements. GOWC calculates the franchise requirement as 2% of forecasted total revenue.

a. Explain how the percentage was forecasted.

Response: The franchise fee is established in the City of San José Municipal Code Section 15.40.410.

b. Provide supporting documents for the percentage (should include invoices/agreements at a minimum).

Response: The City of San José does not send invoices for its franchise fees. See documents attached as GOWC ORA-010-10.15b (includes both City of San José Municipal Code Section and a sample franchise fee calculation).

ATTACHMENT V-10: "GOWC RESPONSE TO CAL PA-019" - 19.8.D.

d. Provide the requested details for the recorded years in the below table:

Description	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Total Operating Revenue (in $)	14,798,405	16,578,051	15,324,105	14,305,104	15,356,530	18,538,016
Total City taxable sales (in $)	13,230,977	14,824,524	14,117,180	14,658,880	15,375,251	16,411,802
Total franchise fees paid (in $)	254,608	285,479	271,706	247,535	266,467	316,533

ATTAHCMENT V-11: "GOWC ORA-010-10.15B"

15.40.410 - Franchise fees.

A. Each grantee shall pay a franchise fee to the city.

B. The franchise fee shall be the greater of the following amounts:

1. Two percent of the gross annual receipts arising from the use, operation, or possession of the potable water franchise; or

2. One percent of the gross annual receipts of the grantee derived from the sale of potable water within the city limits.

C. Franchise fees shall be payable on a monthly basis, and shall be due and payable within thirty days after the end of each calendar month.

D. The required franchise fee shall be paid to the director of finance.

E. Each payment shall be accompanied by a written statement, verified by the grantee making the payment, or a duly authorized representative of the person, showing the calculation of the franchise fee payable in such form and detail as the director of finance may require and such other information as the director of finance may determine is material to a determination of the amount due.

F. No statement filed under this section shall be conclusive as to the matters set forth in such statement, nor shall the filing of such statement preclude the city from collecting by appropriate action the sum that is actually due and payable.

G. The payment of franchise fees to the city pursuant to this chapter shall be in addition to any utility user's tax paid or collected by grantee, or license fee or business tax prescribed by the city for the same period.

H. In the event grantee fails to make the payments of this franchise fee on or before the dates due as hereinabove provided, in addition to all other remedies available to the city, the grantee shall pay both of the following additional amounts:

1. A penalty in the amount of ten percent of the amount due.

2. A sum of money equal to one percent of the amount due per month as interest and for loss of use of the money due.

(Ord. 24931.)

ATTACHMENT V-12: "GOWC RESPONSE TO ORA-010" – 10.11.A

10.11 Under Exhibit E, WP: 6; GOWC provides all administrative and General expense accounts. GOWC estimates the following for FTY 2019-2020:

a. 798 – Outside services ---------- $ 496,618

In the Cell K20, GOWC provides the amount of $ 496,618, which is calculated with a formula (J20*(1+$L$36))+(197264-102559.23)+(105658-90396.59)+51976.34.

Great Oaks Water Company Responses to ORA Data Request No. 010 Expenses 7

Please explain what each amount in the formula consists of and how it was developed.

Response:

- (1+$L$36) – this portion of the formula actually reads (1+$L$34) and it represents the use of escalation factor in Cell L34.
- $197,264 – projected water quality compliance costs for 2019/2020. See Updated Exhibit D, Chapter 3, pp. 4 – 6.
- $102,559.23 – water quality compliance costs for 2016/2017. Note: ($197,264-$102,559.23) represents an adjustment amount.
- $105,658 – WaterSmart annual fee for 3-year contract.
- $90,396.59 – WaterSmart cost for 2017/2018. Note: The total adjustment of $15,261.41 provides the correct amount for 2019/2020.
- $51,976.34 – Projected costs of the Credit Card Pilot Program (see Exhibit 5-3).

ATTACHMENT V-13: "GOWC RESPONSE TO CAL PA-019" - .19.9.E.

e. Acct 798 – Outside services	Acct 798 – FY 2017-2018	(ix) Provide Invoice copy of transaction with "Roeder Management LLC" incurred under Row 31. Response: See document attached hereto as GOWC Cal PA-019-19.9.e.ix. (x) Provide detailed list of products/services purchased under this transaction under Row 31. Response: See document attached hereto as GOWC Cal PA-019-19.9.e.ix. (xi) Provide invoices/agreement copy with "CWS Utility Services" recorded under "Water testing" (Row range 80 to 149). Response: See document attached hereto as GOWC Cal PA-019-19.9.e.xi.

ATTACHMENT V-14: "GOWC RESPONSE TO ORA-010" -10.7.B.

b. Provide total number of customers in the WaterSmart Pilot Program.

Response: Initially, the WaterSmart Pilot Program included 10,000 single-family residential customers. After the completion of the Pilot Program (i.e., when the WaterSmart Program was included in rates in the 2015 GRC), all Great Oaks customers were included, beginning July 1, 2016. All customers are still participants in the Program.

ATTACHMENT V-15: "GOWC RESPONSE TO CAL PA-010" - Q.10.7.D.

d. To the extent not identified in GOWC's response to (b) above, to whom was the payment made, to conduct WaterSmart Pilot Program? (should include invoices, agreement at a minimum).

Response: Payments were made to WaterSmart. See documents attached as GOWC ORA-010-10.7d.

ATTACHMENT V-16: "GOWC RESPONSE TO ORA-019" - 10.9.B.

b. Explain how "$ 51,976.34" was estimated as the cost for Credit Card Payment Program for the TY 2019-2020.

Response: See Exhibit 5-3, which is part of the Exhibit D Report on Results of Operations. Heartland Payment Systems (Heartland) provided the projected costs. Heartland is the current provider of the credit card payment service for Great Oaks.

ATTACHMENT V-17: EMAIL FROM GOWC SUBJECT: "A1807002 - GREAT OAKS WATER COMPANY GRC" ON OCTOBER 19, 2018.

From: Tully, Tony
Sent: Friday, October 19, 2018 4:40 PM
To: Nagesh, Anusha; Dawadi, Mukunda; Cao, Yong-Cheng; Goldberg, Daphne
Cc: Rauschmeier, Richard
Subject: FW: A1807002 - Great Oaks Water Company GRC
Attachments: Corrected Exhibit D Chapter 3 page 6 WQ Expenses.pdf; Corrected Exhibit E GRC Workpapers - Water Quality Testing Expenses Corrected.xls

Hey Team,

Update from GOWC.

Tony

From: Timothy Guster <tguster@greatoakswater.com>
Sent: Friday, October 19, 2018 4:26 PM
To: Mogri, Tayeb K. <tayeb.mogri@cpuc.ca.gov>; Boothe, James A. <james.boothe@cpuc.ca.gov>; Foss, Travis <travis.foss@cpuc.ca.gov>; Tully, Tony <tony.tully@cpuc.ca.gov>; Rauschmeier, Richard <richard.rauschmeier@cpuc.ca.gov>
Subject: A1807002 - Great Oaks Water Company GRC

Good afternoon all,

Prompted by Mr. Mogri's requests, we reviewed the GRC updates from August to make sure the correct water quality testing expenses were included in both the text and the GRC workpapers. We discovered yesterday that they were not.

Attached is the corrected page from Exhibit D Report of Results of Operations, Chapter 3 Company Operations and Basic Information that has the tables showing the projected water quality testing expenses. The values on the attached are the same as reported to the Water Division earlier by Great Oaks and they correspond with the values in the Water Division's August 30, 2018 Water Quality Report.

Also attached is a corrected Exhibit E GRC Workpapers. The only change from the August update is the correction (reduction) of the projected water quality testing expenses in Account 798 of the A&G expenses. The correction flows through the workpapers into the proposed rates.

Should any of you have any questions, please contact me directly. Thanks to Mr. Mogri for bringing this to the forefront so the correct amounts are now in the GRC.

Tim

_____
Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Co.
PO Box 23490
San Jose, CA 95153
(408)227-9540 Ext. 715

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tguster@greatoakswater.com

ATTACHMENT V-18: "GOWC RESPONSE TO ORA 010" - 10.11.B.

b. 799 – Misc. Gen. Exp. ---------- $ 230,013

In the Cell K21, GOWC provides the amount of $ 496,618, which is calculated with a formula (J21*(1+$L$36))+(75188*0.7). Please explain what each amount in the formula consists of and how it was developed.

Response: It is believed that this question relates to the Account 799 projected Test Year amount of $230,013, rather than the $496,618 in the question. It is also believed the Cell being referenced should be K20 – Account 799 Misc. Gen. Exp., rather than K21. Based upon these beliefs, Great Oaks responds as follows:

- J20 – refers to Cell J20: Projected 2018/2019 Account 799 expenses.
- (1+$L$34) – use of escalation factor in Cell L34.
- $75,188 – represents Great Oaks' costs for membership in the California Water Association (CWA) for the Test Year.
- 0.7 – represents the portion of the CWA expenses included in rates (i.e., 70 percent).

ATTACHMENT V-19: GOWC RESPONSES TO CAL PA-010 FOR Q.10.5.A UNDER DOCUMENT TITLED "LEASE-GOWC-20 GREAT OAKS BLVD-1-1-2009 TO 12-31-2014."

COMMERCIAL OFFICE LEASE
FOR
GREAT OAKS WATER COMPANY

1.1 Parties: This Lease is dated as of January 1, 2009, is made by and between Great Oaks Water LLC ("Lessor") and Great Oaks Water Company, ("Lessee"), (collectively the "Parties", or individually a "Party").

1.2 (a) Premises: Suite Number 120, consisting of approximately 8,669 rentable square feet and approximately 7,808 useable square feet.

ATTACHMENT V-20: 20 GREAT OAKS BLVD, LEASE PER SQUARE FEET

Menu

LoopNet™

20 Great Oaks Blvd

San Jose, CA 95119 · Office for Lease

$19.08 /SF/Yr

Share . Favorite Property . Create Report . Print

Great Oaks Plaza

Rental Rate	$19.08 /SF/Yr	Rentable Building Area	52,171 SF
Min. Divisible	4,098 SF	Year Built	1985
Property Type	Office	Walk Score ®	34 (Car-Dependent)
Building Class	B	Transit Score ®	38 (Some Transit)

Find out more...

Listing ID: 11616391 Date Created: 02/15/2018 Last Updated: 10/26/2018

1 Space Available

Display Rental Rate as $/SF/Yr

2nd Floor Ste 200

Rental Rate	$19.08 /SF/Yr	**Date Available**	30 Days
Service Type	Full Service Gross	**Floor**	2nd Floor
Space Available	4,098 - 22,352 SF	**Space Use**	Office
Space Type	Sublet	**Lease Term Through**	May 2021

LED 5/31/2021

ATTACHMENTS

18-0159_sc Great Oaks Blvd_3.pdf

Description

High density private office environment. Easily divides into 4,098 SF, 7,427 SF, or 10,827 SF. Other configurations and sizes possible.

South San Jose

The above webpage can be viewed at the following link:
https://www.loopnet.com/Listing/20-Great-Oaks-Blvd-San-Jose-CA/11616391/

ATTACHMENT V-21: D. 16-11-006 UNIFORM SYSTEMS OF ACCOUNTS FOR CLASS A AND FOR CLASS B, C, AND D WATER UTILITIES PAGE A136

793. Property Insurance

A. This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It shall include also the cost of labor and related supplies and expenses incurred in property insurance activities.

B. Recoveries from insurance companies or others for property damages shall be credited to the account charged with the cost of the damage. If the damaged property has been retired, the credit shall be to the appropriate account for accrued depreciation.

C. The utility can keep its records so as to shown the amount of coverage for each class of insurance carried, the property covered, and the applicable premiums. Any dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged.

ATTACHMENT V-22: "GOWC RESPONSE TO CAL PA-019" - Q.19.9.F.(XIV) AND (XV)

f. Acct 805 – Maintenance of General Plant	Acct 805 – FY 2017-2018	(xii) Provide invoice copies of transactions recorded under the names: "Lowe's credit", "Home Depot", "United Rentals" and "Citibank Costco" in Rows 219, 271, 282, 286, and 314. Response: See document attached hereto as GOWC Cal PA-019-19.9.f.xii. (xiii) Provide invoice copies for the costs recorded under "Orchard Business/SYNCB" in Row 162. Response: See document attached hereto as GOWC Cal PA-019-19.9.f.xiii. (xiv) Provide invoice copies of "Power" expenses for "PG&E" recorded from Rows 388 to 395.

reat Oaks Water Company Responses to Cal PA Data Request No. 019 10

		Response: See document attached hereto as GOWC Cal PA-019-19.9.f.xiv. (xv) Please explain reasons for recording PG&E expenses, shown on Rows 388 to 395, into this account? Response: The charges were inadvertently charged to account 521.002 – non-utility rental income (expense). The charges will be moved to the correct account.

CHAPTER VI: PAYROLL

A. INTRODUCTION

For the Test Year (TY) 2019/2020, Great Oaks Water Company (GOWC) estimates total payroll costs, including overtime, at $2,725,172.[187] GOWC identifies individual positions and proposed salaries under three categories: General Office, Field Service and Management. GOWC proposes to continue to capitalize 10.60% of payroll costs, which results in $288,868[188] of total payroll being included in rate base. GOWC proposes to recover the remaining balance of $2,436,304 in the operating expense budget for TY 2019/2020.[189]

This Chapter of the Public Advocates Report presents detailed analysis and recommendations concerning GOWC's projected salaries and overtime expenses for all three categories: General Office, Field Service and Management in TY 2019/2020.

B. SUMMARY OF RECOMMENDATIONS

The Commission should adopt $2,591,447 in total payroll costs for TY 2019/2020. This amount is $133,724 less than GOWC's forecast and reflects more reasonable expectations of salary increases and necessary overtime. Table VI-1 below provides a comparison of GOWC's proposal and the Public Advocates Office's recommended costs associated with employee salaries and overtime:

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[187] GOWC GRC Application A1807002– "Exhibit E GRC Work papers" under tab "WP10 – Employees & Salaries," refer Cell: K51

[188] GOWC GRC Application A1807002 – "Exhibit E GRC Work papers" under tab "WP10 – Employees & Salaries," refer Cell: K97

[189] GOWC GRC Application A1807002 application shows an error and an overestimated balance of $2,446,365 under "WP1 Summary of earnings" – in cell J20, which was then corrected in 45-day update and provided the correct balance under "Updated Exhibit E GRC work papers - WP1 summary of earnings" in cell J20

Table VI-1: Summary of Recommendations for TY 2019/2020

Employees & Salaries[190]	GOWC Proposed	Public Advocates Recommendation	Difference	Percent Difference
Proposed Total Employees	22	22	-	0%
Total Forecasted Salaries[191]	$2,679,632	$2,556,731	$(122,901)	(5%)
Total Forecasted Overtime[192]	$45,540	$34,716	$(10,824)	(24%)
Total Payroll	**$2,725,172**	**$2,591,447**	**$(133,724)**	**(5%)**
Total Expensed Payroll (89.4%)	**$2,436,303**	**$2,316,754**	**$(119,550)**	**(5%)**

C. DISCUSSION

1. NEW EMPLOYEES

GOWC projects 19 employees in year 2017/2018 and requests two new positions; one general office position titled "Customer Service Representative" starting in year 2018/2019 and one field service position titled "Water System Operator" starting in TY 2019/2020.

With the inclusion of proposed positions, GOWC's ratio of employees per thousand customers in TY 2019/2020 is 1.0, which compares favorably with the ratio of other Class A Water utilities.[193] Additionally, given the overtime that has been incurred by GOWC in previous years and the opportunity to improve customer service with the proposed positions, the proposed two additional positions in TY 2019/2020 are reasonable.

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[190] GOWC GRC Application A1807002 - 45-day update – "Updated Exhibit E GRC work papers," under tab "WP10 – Employees & Salaries"
[191] Total forecasted salaries are the result of removing total overtime expenses from total payroll.
[192] Total overtime expenses are the overtime expenses recorded under General Office vision and Field Service division.
[193] San Jose Water Company GRC 2018 (A1801004)– Estimates employees per 1000 customers at 1.11 for 2018.

2. SALARIES

In its General Rate Case (GRC) Application, GOWC provides details about each position including: main functions, classifications and salary comparisons (for some positions) with other water districts.[194] GOWC compared salary of a few positions including office manager under General Office category and field service foreman under Field Service category, but none under Management category.[195] GOWC compared the salaries for the selected positions to East Bay Municipal Utility County (EBMUD), Contra Costa Water District, Otay Water District, Almeda County Water District, and Helix Water District.

To forecast employee salaries for TY 2019/2020, GOWC applied different escalation factors on projected year 2018/2019 for most of its positions and for remaining positions it is hard-coded numbers. GOWC used similarly forecast methodology to arrive at projected year 2018/2019 forecast. To understand GOWC's proposed percentage increase for all positions from the projected year 2018/2019 to TY 2019/2020, the Public Advocates Office made a calculation that showed raise in proposed salaries varying from 2% to 32% annually.

Although, GOWC provides information on "compensation ranges" and "selected comparable employment positions and salaries" for some of the positions in their application,[196] basing the TY 2019/2020 forecast on this selective information and justifying the proposed increase compared to other water districts that could be different in size is unreasonable.

To help determine whether GOWC's proposed salaries are reasonable, the Public Advocates Office compared GOWC's projected salaries for year 2017/2018 to actual

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[194] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operation" under tab "CHAPTER 5 Operating Expenses"
[195] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operation" under tab "CHAPTER 5 Operating Expenses"
[196] GOWC GRC Application A1807004– "Exhibit D Report on Results of Operation" under tab "CHPATER 5 Operating Expenses"

salaries earned by employees working in public agencies (water district or county or state) with identical job titles in the year 2017.[197] Salaries for a random sample of GOWC employee positions[198] were compared to the salaries for the same corresponding job title of public agencies as detailed below in Table VI-2.

Table VI-2: Salary Comparison for Fiscal Year 2017/2018.

GOWC Position Name (Category)	Amounts
Office Manager[199] (General Office)	
GOWC's Forecast	$95,000
Contra Costa County	$67,110
Oakland City	$76,227
Pleasanton City	$77,719
Water System Operator[200] (Field Service)	
GOWC's Forecast	$75,000
Fountain Valley	$68,505
Sacramento County	$69,514
Sacramento County	$61,500
Chief Executive Officer[201] (Management)	
GOWC's Forecast	$378,000
Santa Clara Valley Water District	$240,880
San Bernardino County	$204,036
Mendocino County	$178,480

Although the results of the salary comparisons summarized in Table VI-2 are not used to arrive at the recommended payroll budget, the comparison highlights whether GOWC's proposed additional salary increases and overall payroll budget are reasonable. Hence, the Commission should more accurately project a payroll budget for TY 2019/2020.

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[197] Transparent California website link: https://transparentcalifornia.com/pages/about/
[198] GOWC GRC Application A1807004– "Exhibit D Report on Results of Operation" under tab "CHPATER 5 Operating Expenses"
[199] GOWC GRC Application A1807004– "Exhibit E GRC Workpapers" under tab "WP 10 - Employees & Salaries", under Cell: A12
[200] GOWC GRC Application A1807004– "Exhibit E GRC Workpapers" under tab "WP 10 - Employees & Salaries", under Cell: A32.
[201] GOWC GRC Application A1807004– "Exhibit E GRC Workpapers" under tab "WP 10 - Employees & Salaries", under Cell: A46.

To achieve a more reasonable payroll budget for TY 2019/2020, the Commission should utilize the last fully recorded year of payroll data presented in GOWC's workpaper, include the additional proposed positions at the lowest beginning salary range and escalate uniformly to arrive at TY 2019/2020.[202]

This methodology results in a total payroll budget (excluding overtime) for TY 2019/2020 of $2,556,731 which is approximately $122,901 less than GOWC's forecast.

As it relates to the percentage of payroll expenses that are capitalized, GOWC's proposed capitalization percentage of 10.60% of total payroll is consistent with both recorded data and previous Commission authorization. Therefore, the Commission should adopt the total payroll (excluding overtime) expenses of $2,316,754 or 89.4% of the recommended total payroll budget.

3. OVERTIME

For TY 2019/2020, GOWC forecasts overtime expenses for two categories of payroll: General Office and Field Service. However, GOWC uses a different escalation methodology for each category as further discussed below.

a) General Office

For TY 2019/2020, GOWC forecasts general office overtime at $1,309, which is a 5% increase of the projected year 2018/2019. To arrive at $1,247 in projected year 2018/2019, GOWC used a recorded 3-year average (2017/2016, 2016/2015 and 2015/2014) and escalated by 5%.[203] There are several problems with this methodology.

First, GOWC does not incorporate overtime data for year 2017/2018. Year 2017/2018 overtime amounted to $918, which is the lowest in the last five years. Secondly, GOWC does not reflect the proposed new position under this category starting

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[202] Attachment IV-1: "Escalated May 2018". 1.80% is the Labor escalation rate.
[203] GOWC GRC Application A1807004– "Exhibit E GRC Workpapers" under tab "WP 10 - Employees & Salaries", under cell: J20.

in projected year 2018/2019. Additionally, in response to the Public Advocates Office data request, GOWC explained that total overtime "primarily" depended on "leak repairs" which is not a function of general office employees.[204]

Therefore, forecasting TY 2019/2020 based on a three-year average (2014/2015, 2015/2016 and 2016/2017) is unreasonable. A more reasonable estimate for overtime would consider additional positions and overall payroll trends in the past five years. For TY 2019/2020, the recommended overtime expense is calculated by applying the average annual percentage change for the last five years, including year 2017/2018. Table VI-3 shows GOWC's last five years recoded overtime in general office category and the percentage increase / (decrease).

Table VI-3: Overtime – General Office

Item	Recorded					Projected	5-year Average Annual Overtime
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
Overtime: General Office	$3,728	$3,107	$1,320	$1,163	$1,348	$918	
Normalized Overtime: General Office[205]	$3,912	$3,244	$1,366	$1,239	$1,451	$953	$1,650
Percentage Change		**(17%)**	**(58%)**	**(12%)**	**16%**	**(32%)**	**(20%)**

From the above Table VI-3, the annual average percentage change in overtime expense for the last five years is negative 20% and the five-year (normalized) average overtime expenses is $1,650. Therefore, reducing projected overtime expense of $1,650 by 20% results in forecasted overtime expenses for projected year 2018/2019 of $1,315. Similarly, reducing this amount by 20% results in estimated general office overtime expenses of $1,048 for TY 2019/2020. The Commission should adopt the overtime forecast of $1,048 which is $260 less than GOWC's initial request.

[204] Attachment VI-1: "GOWC Response to ORA-002" - 1.4.a.
[205] Attachment IV-1: "Escalation May 2018." Normalization is result of escalating GOWC's recorded amounts for each year with respective escalation factors for each year to arrive at the present value of the dollar amounts as of year 2018/2019.

b) Field Service Employees:

For TY 2019/2020, GOWC forecasts Field Service overtime at $44,231. GOWC forecasts overtime by escalating the projected year 2018/2019 by 5% which is in consistent with the recommended average annual percentage increase for the last five years. Similarly, to arrive at projected year 2018/2019, GOWC escalated the previous projected year 2017/2018 by 5%.

In this GRC, GOWC requests an additional employee under this category.[206] GOWC also hired a new employee starting May 2018.[207] Given the likelihood that two additional positions in this payroll category would reduce overall overtime, a more reasonable estimate for overtime would consider additional positions and overall payroll trends in the past five years.

For TY 2019/2020, the Field Service overtime expense should be calculated by applying the average annual percentage of 5% on projected year 2018/2018. For projected year 2018/2019, the overtime expenses should be calculated by applying the average annual percentage of 5% on the five-year (normalized) average Field Service overtime expenses, as illustrated in Table VI-4 below.

Table VI-4: Overtime – Field Service

Item	Recorded					Projected	Recommended Average (2018/2019)
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
Overtime: Field Service	$39,303	$21,615	$22,936	$30,104	$31,007	$40,119	
Normalized Overtime: Field Service[208]	$41,240	$22,567	$23,734	$32,047	$33,376	$41,643	$30,673
Percentage Change		**(45%)**	**6%**	**31%**	**3%**	**29%**	**5%**

[206] GOWC GRC Application A1807004- "Exhibit D Report on Results of Operation" under "Chapter 5 Operating expenses", refer point5 in page 11

[207] GOWC GRC Application A1807004 - "Exhibit E GRC Work papers" under tab "WP10 - Employees & salaries". refer cell: A36

[208] Attachment IV-1: "Escalation May 2018." Normalization is result of escalating GOWC's recorded amounts for each year with respective escalation factors for each year to arrive at the present value of the dollar amounts as of year 2018/2019.

From the above Table VI-4, the five-year (normalized) average Field Service overtime expenses for projected year 2018/2019 is $30,673 and by applying 5% escalation percentage, the forecasted Field Service overtime expenses for projected year 2018/2019 results to $32,136. Similarly, escalating this amount by 5% results in recommended Field Service overtime expenses of $33,668 in TY 2019/2020.

The Commission should therefore adopt the overtime forecast of $33,668 for Field Service which is $10,563 less than GOWC's initial request. Table VI-5 compares GOWC's proposed total overtime expenses under each category with the Public Advocates Office's recommendations.

Table VI-5: Overview of GOWC's Forecast and Public Advocates' Recommendations Under Each Category

For TY 2019/2020	GOWC Proposed	Public Advocates Recommendations	Difference	Percent Difference
General Office	$1,309	$1,048	$(260)	(20%)
Field service	$44,231	$33,668	$(10,563)	(24%)
Total Overtime	**$45,540**	**$34,716**	**$(10,824)**	**(24%)**

D. CONCLUSION

In order to provide a more reasonable annual increase in recorded salaries, the Commission should adopt $2,556,731 in TY 2019/2020 as a total salary budget. To better reflect decreasing overtime trends and the likely contributions of additional salaried positions, the Commission should lower GOWC's proposed overtime budget to $34,716. Combining this amount with the total salary budget results in a total payroll cost of $2,591,447. GOWC's proposed 10.6% capitalized payroll percentage yields a total payroll expense of $2,316,754 in TY 2019/2020 recoverable as expenses.

ATTACHMENT VI-1: "GOWC RESPONSE TO ORA-002" – 1.4.A

1.4 Exhibit E; WP 10 Employees and Salaries: GOWC provides the recorded and forecasted costs of the salaries as per the respective divisions

Great Oaks Water Company Responses to ORA Data Request No. 002 Expenses 2

a. Explain the extent to which GOWC has considered its proposed new permanent positions in forecasting overtime expenses for the test year.

Response: Overtime expense projections are provided in Exhibit E GRC Workpapers, WP10 Employees & Salaries (Line 20 for General Office and Line 42 for Field Service). Overtime hours are based upon historic averages and are primarily related to unexpected or unplanned work, including leak repairs (which often occur after normal working hours). The historic overtime averages have nothing to do with the proposed new permanent positions. Overtime expenses are projected to be 5 percent higher in the Test Year than in Projected Year 2018/2019. Overtime costs in subsequent years are calculated using ORA escalation factors.

CHAPTER VII: SAFETY, RELIABILITY, AND CAPITAL INVESTMENT

A. INTRODUCTION

The following testimony evaluates and makes recommendations on the safety and reliability of Great Oaks Water Company's ("GOWC") operations and its level of capital investment.

In developing the independent recommendations contained herein, the Public Advocates Office of the California Public Utilities Commission reviewed and analyzed GOWC's testimony, Minimum Data Requirements ("MDR"), workpapers, Capital Project Justification documents, estimating methods, and responses to various data requests ("DR"). On July 26, 2018, a field inspection was conducted of GOWC's operations and specific proposed plant additions.

B. SUMMARY OF RECOMMENDATIONS

The CPUC should adopt GOWC's proposed capital budgets of $2,223,573 for 2018/2019, $2,255,533 for 2019/2020, and $1,763,646 for 2020/2021. GOWC's proposed replacement of its fixed-asset management hardware and software should incorporate a system where every capital project is assigned a unique project identifier. Furthermore, to ensure that GOWC maintains adequate investment in necessary infrastructure, the CPUC should order GOWC to produce in its next General Rate Case ("GRC") a detailed and comprehensive asset management plan that meets industry best practices.

To further ensure the safety and reliability of GOWC operations, the CPUC should order GOWC to complete both its unfinished Emergency Response and Cross Connection Control Plans within ninety days of the final decision in this proceeding.

To improve the safety of its existing operations, the CPUC should order GOWC to achieve continuous disinfection of its entire system prior to the next GRC. In order to cover the additional expenses associated with this recommendation, the CPUC should

increase GOWC's proposed expense budgets by $100,000 for Test Year 2019/2020 and Escalation Year 2020/2021.

C. DISCUSSION

1. CAPITAL INVESTMENT

Infrastructure investment is critical to maintaining a safe and reliable water system. GOWC requests proposed capital budgets of $2,223,573 for 2018/2019, $2,255,533 for 2019/2020, and $1,763,646 for 2020/2021. As discussed below, the proposed projects appear prudent, reasonable, and likely to result in improved ratepayer services. The proposed plant additions, by category, are presented in Table VII-1, below.

Table VII-1: Proposed Capital Addition Categories

	Projected	Test Year	Escalation Year
Additions	2018/2019	2019/2020	2020/2021
Intangible Plant	$ -	$ -	$ -
Land and Land Rights	$ -	$ -	$ -
Source of Supply Plant	$ -	$ -	$ -
Pumping Plant	$ 121,000	$ 121,000	$ 121,000
Water Treatment Plant	$ 7,500	$ 7,500	$ 7,500
Transmission & Distribution Plant	$ 1,574,449	$ 808,266	$ 808,266
General Plant	$ 145,191	$ 913,003	$ 410,043
Capitalized Direct Labor	$ -	$ -	$ -
Capitalized Allocated Payroll (10.6%)	$ 262,136	$ 288,868	$ 300,958
Capitalized Allocated Fringe Benefits	$ 113,297	$ 116,896	$ 115,879
Total Additions	$ 2,223,573	$ 2,255,533	$ 1,763,646

GOWC provides justification for its proposed capital budgets in Exhibit G of its GRC application.[209] Because GOWC does not maintain or possess an adequate asset management plan for scheduled maintenance and replacement of necessary infrastructure, an extensive amount of additional information was obtained through discovery to validate the reasonableness and prudency of the proposed projects.

[209] A.18-07-002

The following summarizes the major categories of proposed investment and additional reviews performed:

a) **Transmission and Distribution Category – Reservoir and Tanks - Cathodic Protection of Tanks:** GOWC proposes the installation of cathodic protection of tanks at an estimated annual budget of $35,000.[210] Cathodic protection of tanks is generally considered a cost-effective method of preserving assets and reducing maintenance costs.[211] If prudently designed and implemented, the American Water Works Association has found that cathodic protection can extend the life of water tanks by more than 20 years resulting in significant avoided costs for ratepayers.[212]

b) **General Plant Additions Category – Computer Equipment - New Fixed Asset Hardware and Software:** GOWC is proposing to replace its obsolete fixed asset hardware and software in 2020/2021 at an estimated capital budget of $250,000.[213,214] The proposed equipment is necessary to maintain the Company's asset records and should enable GOWC to track maintenance and repair projects, prioritize replacement projects, and integrate new assets into the system more efficiently.

c) **Transmission and Distribution Category – Meters - Cellular Meter Pilot Testing Project:** GOWC proposes to acquire twenty-five cellular meters for pilot testing automatic meter reading of high-usage customers

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[210] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, C.1. Transmission and Distribution Plant Additions, pg. 2.
[211] *Cathodic Protection for Steel Water Storage Tanks*, David H. Kroon, P.E. American Water Works Association
[212] Ibid
[213] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, D.1. General Plant Additions, pg. 3.
[214] An additional cost of the project is the licensing fee. GOWC should choose between two options; a) Annual license of $110,000, or b) Perpetual license of $135,000 plus annual maintenance of $29,700. The estimated cost of the project is in: GOWC GRC A.18-07-002, Exhibit G-1, Proposed Cost of Fixed Asset Hardware and Software.

at an estimated budget of $7,500 in the Test Year.[215] Pilot testing cellular meters for high-usage customers has potential water conservation benefits as more timely water usage data is provided to customers. Additional detail on usage patterns may also be beneficial for GOWC's future infrastructure planning.

d) **General Plant Additions Category - Leak Detection Equipment Project:** GOWC proposes to purchase additional leak detection equipment to reduce water loss at an estimated budget of $20,000 in the Test Year.[216] Reducing water lost through the system due to leaks is an efficient conservation method that should help GOWC reduce the amount of water not used beneficially. GOWC's investment of $20,000 in equipment to reduce system water loss would prove cost-effective with just a 0.029% annual reduction in GOWC's total purchased water from Santa Clara Valley Water District (SCVWD).[217]

e) **Transmission and Distribution Plant Additions Category - Valve Replacements Project:** GOWC proposes to replace 15 valves that are either broken or not functioning properly. GOWC would like to install an additional four valves used for system shutdown operations. The total proposed budget for this project is $418,000.[218] It is beneficial for GOWC to replace these valves as they can be critical in controlling pressure and flow, and isolating sections of the system for routine

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[215] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, C.1. Transmission and Distribution Plant Additions, pg. 3.
[216] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, D.1. General Plant Additions, pg. 5.
[217] Assumes a 5-year equipment life of detection equipment and SCVWD's projected 2020 'Groundwater Production Charge' of $1,400/Acre-Foot. This figure can be found in GOWC response to DR-010, Q.10.14.b., 2019-2020, Figure 4-2.1. In 2017, SCVWD supplied GOWC with 3,257.294 Million Gallons/Year. GOWC's 2017 total non-revenue water was 233.467 Million Gallons/Year. These two figures can be found in GOWC GRC A.18-07-002, Exhibit 8-1, 2017 Water Loss Audit.
[218] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, C.2. Transmission and Distribution Plant Additions, pg. 2.

maintenance or emergency repairs.[219] Valve failures can result in serious safety risks, environmental impacts, water loss, costly property damage, and the introduction of contaminants into the distribution system.[220]

f) **General Plant Additions Category – Pumping Plant Additions:** GOWC proposes to purchase and install a variable frequency drive (VFD) pump at Ashmont Tank in the Zone 2 system at a cost of $85,000.[221] GOWC states that Zone 2 is the only zone pressurized through its five pumps. One of the five pumps is smaller than the others and is responsible for limiting the starts and stops of the other four larger pumps. The smaller pump needs to be shut down during low demand to prevent high-pressure conditions, which causes the larger pumps to cycle often. The new VFD will enable the smaller pump to operate all year and fluctuate as needed to maintain constant pressure.[222]

g) **General Plant Additions Category – Communication Equipment project:** GOWC proposes to purchase and install water system pressure measuring devices for integration with its supervisory control and data acquisition (SCADA) system at an estimated budget of $85,000.[223] GOWC requests this project to add safeguards "in the event of localized pressure anomalies due to any number of possible scenarios such as main rupture, heavy fire use, etc. The pressure data will also be useful

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[219] Drinking Water Distribution Systems: Assessing and Reducing Risks (2006), National Research Council, pg. 22. https://www.nap.edu/read/11728/chapter/3#22

[220] http://www.awwa.org/portals/0/files/resources/water%20utility%20management/partnership%20safe%20water/files/assetmanagementvalves.pdf

[221] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, A.1. Pumping Plant Addition, pg. 1.

[222] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, A.1. Pumping Plant Addition, pg. 1.

[223] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, D.4. General Plant Additions, pg. 6.

when reporting average system pressure for purposes of annual water loss audits."[224] GOWC plans to install 15 devices in this GRC period.

h) **General Plant Additions Category – Transportation Equipment – Replacement Service Vehicles Project:** GOWC proposes to replace six service vehicles, including two Ford Dump Trucks (2000 and 2003), a 1999 Ford F250, two Ford Rangers (2009 and 2005), and a 2003 Dodge Ram. GOWC states that the two dump trucks no longer meet emission requirements and the other four vehicles have high mileage and are in poor condition.[225] GOWC is proposing to purchase six new, comparable vehicle models at an estimated budget of $382,000.[226] The following two regulations support GOWC's request:

1) The California Air Resources Board regulation states "diesel trucks and buses that operate in California…be upgraded to reduce emissions. Newer heavier trucks and buses must meet PM [particulate matter] filter requirements beginning January 1, 2012. Lighter and older heavier trucks must be replaced starting January 1, 2015. By January 1, 2023, nearly all trucks and buses will need to have 2010 model year engines or equivalent. The regulation applies to nearly all privately and federally owned diesel fueled trucks and buses and to privately and

[224] See Attachment I: GOWC's response to DR-03, Q.3.6.a.
[225] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, D.3. General Plant Additions, pg. 5.
[226] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, D.3. General Plant Additions, pg. 6.

publicly owned school buses with a gross vehicle weight rating (GVWR) greater than 14,000 pounds."[227]

2) The California State Administrative Manual, "Fleet Asset Replacement Schedule Criteria" listed in the table below, warrants four of the six GOWC vehicle replacements. [228]

Effective immediately, fleet assets that fall within the listed vehicle categories below and meet the applicable age *or* mileage threshold, whichever comes first, or when it is determined that the vehicle condition warrants replacement per the Vehicle Condition criteria outlined in State Administrative Manual Section 4126, are eligible for replacement.

Vehicle Type	Age of Vehicle (in months)	Vehicle Mileage
Vehicles with Gross Vehicle Weight Rating (GVWR) up to 8,500 Pounds		
Law Enforcement Vehicles	60	100,000
Sedans	72	65,000
Mini Vans	96	80,000
Cargo Vans	60	65,000
Pickup Trucks	60	65,000
Sport Utility Vehicles	84	85,000
Vehicles with GVWR of 8,501 – 16,000		
Law Enforcement Vehicles	60	100,000
All Trucks, Vans, and SUVs	72	70,000
Vehicles with GVWR of 16,001 – 26,000		
All Trucks, Vans, and SUVs	132	115,000

2. PROJECT IDENTIFICATION SYSTEM

In conjunction with authorizing funds to replace its fixed-asset hardware and software, the CPUC should require GOWC to develop a project identification system to facilitate tracking of project status. None of the capital projects proposed in GOWC's Exhibit G includes a unique project identification number. Rather, each proposed project

[227]California Air Resources Board, "On-Road Heavy-Duty Diesel Vehicles (In-Use) Regulation" https://arb.ca.gov/msprog/onrdiesel/onrdiesel.htm

[228] State Administrative Manual, Management Memo, Fleet Asset Replacement Schedule Criteria, Number MM 17-05, November 1, 2017, pg.1.

includes only a reference to a GOWC account—which typically contains multiple assets. For example, the "cellular meters" project discussed above is identified only in reference to "Account 346" which is the account used for all meter assets.[229]

A consistent project identification system would better enable the CPUC and the Public Advocates Office to track the progress of approved projects and allow easier comparison of incurred costs with previously authorized budgets. GOWC's proposed project to replace its fixed-asset hardware and software systems provides an excellent opportunity to configure a system where all capital projects are provided a unique project identifier that can be used in all future applications.

3. WATER UTILITY INVESTMENT COMPARISON

Although the Public Advocates Office recommends the CPUC adopt GOWC's proposed capital budgets, there is insufficient detail in GOWC's application to conclude that GOWC's proposed budgets are sufficiently adequate for meeting all necessary infrastructure investment that is required for provision of safe and reliable service at lowest cost over a long-term planning horizon.

Table VII-2 compiles data provided by the California Water Association regarding 2017 infrastructure investment for each Class A water utility.[230] As can be calculated from the compiled data, GOWC's total infrastructure spending in 2017 was less than one-fifth the average spending by all Class A water utilities. In 2017, the average investment for all Class A water utilities was $356 per connection. As reported by the California Water Association, GOWC invested less than $70 per connection in 2017. In the current GRC, GOWC's proposed budget for the 2019/2020 test year equates to approximately $100 per connection or slightly less than a third of the average of all Class A water utilities in 2017.

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[229] GOWC GRC A.18-07-002, Exhibit G, Proposed Capital Projects, D. Transmission and Distribution Plant Additions, 4. Meters.pg. 3.

[230] http://www.calwaterassn.com/news-release-californias-regulated-water-utilities-invested-more-than-645-million-on-needed-infrastructure-in-2017/

Table VII-2: 2017 Infrastructure Investment per Connection

Class-A Water Utility	2017 Data: Infastructure Investment	2017: Number of Connections	2017 Infrastructure Investment/Connection
Cal Am	$ 88,100,000	188,000	$ 468.62
Cal Water	$ 250,600,000	519,000	$ 482.85
Golden State	$ 110,000,000	261,000	$ 421.46
San Gabriel	$ 19,900,000	104,000	$ 191.35
San Jose Water	$ 140,000,000	224,000	$ 625.00
Suburban	$ 16,000,000	76,000	$ 210.53
Great Oaks	**$ 1,500,000**	**21,500**	**$ 69.77**
Liberty	$ 19,600,000	52,000	$ 376.92
		Average Investment per Connection	$ 355.81

While it is possible that the data reported by the California Water Association reflects significant and unnecessary over-investment by all other Class A water utilities or is unrepresentative of longer investment trends, the significant disparity between GOWC and the average investment per connection may also indicate a lack of necessary investment by GOWC which over time will jeopardize the safety and reliability of its service and ultimately result in higher costs to ratepayers. To better ensure that GOWC is making the necessary investments in infrastructure, the Commission should order GOWC to provide in its next GRC a detailed and comprehensive asset management plan that meets industry standards.

4. ASSET MANAGEMENT PLAN

In its response to the requirement that all Class A water utilities submit an asset management plan to identify and address aging infrastructure needs,[231] GOWC submitted a 2015 document entitled *Infrastructure and Facilities Master Plan* ("2015

[231] Minimum Data Requirement (MDR) II.E.18 The MDR also requires that the plan should be consistent with the recommendations and elements of the comprehensive asset management identified in the General Account Office's March 2004 Report, GAO 04-461: Water Infrastructure: Comprehensive Asset Management has Potential to Help Utilities Better Identify and Plan Future Investments. This report can be found at https://www.gao.gov/new.items/d04461.pdf

Document").[232] However, the ten pages that comprise the 2015 Document submitted by GOWC is an inadequate substitute for a detailed and comprehensive asset management plan and fails in most areas to meet CPUC standards, as well as, the standards and practices established by industry organizations and federal regulators.

The American Society of Civil Engineers' ("ASCE") 2017 Infrastructure Report Card, states "… key steps for asset management include making an inventory of critical assets; evaluating their condition and performance; developing plans to maintain, repair, and replace assets; and funding these activities."[233] The U.S. Environmental Protection Agency ("EPA") states, "A high-performing asset management program includes detailed asset inventories, operation and maintenance tasks, and long-range financial planning."[234] The EPA explains that benefits of an asset management program include "prolonging asset life and improving decisions about asset rehabilitation repair, and replacement, setting rates based on sound operational and financial planning, and reducing overall costs for both operations and capital expenditures."[235]

The 2015 Document submitted by GOWC offers little to no assurance that the standards and practices identified by the CPUC, ASCE, and EPA for maintaining a successful asset management program will be met. For example, consideration of GOWC's entire water supply is largely limited to the following one sentence in 2015 Document that GOWC submitted: "As of July 1, 2015, Great Oaks utilizes a total of nineteen (19) groundwater production wells, all located on real property owned by Great Oaks or to which Great Oaks has rights acquired through easement."[236] In contrast to the level of detail recommended by ASCE and found in more robust asset management plans,[237] GOWC's 2015 Document provides no information on the age of wells; type of

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[232] GOWC GRC A.18-07-002, Exhibit 8-3, Infrastructure and Facilities Master Plan SP2015, Great Oaks Water System Facilities and Assets.
[233] https://www.infrastructurereportcard.org/wp-content/uploads/2017/01/Drinking-Water-Final.pdf
[234] https://www.epa.gov/sustainable-water-infrastructure/asset-management-water-and-wastewater-utilities
[235] https://www.epa.gov/sustainable-water-infrastructure/asset-management-water-and-wastewater-utilities
[236] GOWC GRC A.18-07-002, Exhibit 8-3, Infrastructure and Facilities Master Plan SP2015, Great Oaks Water System Facilities and Assets, A. Sources of Supply, pg.4.
[237] See http://www.sswd.org/home/showdocument?id=2252

construction; depth; diameter; production capacity; actual production; efficiency; water quality; operational status; populations served; criticality; expected useful life; prioritized long-term rehabilitation or replacement plans.

Another example of the inadequacy of GOWC's 2015 Document as an asset management plan is found in the document's presentation of storage facilities. Here, the full extent of analysis on this category of critical infrastructure is contained in the following two sentences, "Great Oaks' water system includes a total of six (6) storage tanks, with a combined capacity of 6,228,000 gallons. All storage tanks have metal construction."[238] At a minimum, a useful asset management plan would have indicated the original date in service; remaining useful life; location; maintenance history; criticality for meeting necessary fire flows; water quality; costs; and inspection schedules and results.

Similarly, GOWC's 2015 Document offers only the following two sentences regarding the condition of all water mains and transmission lines in GOWC's entire system, "Great Oaks' water mains and transmission lines include cement-asbestos, steel, welded steel, SOM, ductile iron, and PVC piping. The oldest mains and transmission lines were installed in 1959 and are only fifty years old, while the newest were installed in 2008 and are less than one year old."[239]

It is important to note that by the third year of the current GRC, the oldest pipes in GOWC's system will be over 60 years old. And while it is highly unlikely that GOWC's pipes will experience catastrophic failure around the 50-year mark that water system designers often use as the average life expectancy for most pipes,[240] a more robust

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[238] GOWC GRC A.18-07-002, Exhibit 8-3, Infrastructure and Facilities Master Plan SP2015, Great Oaks Water System Facilities and Assets, C. Storage Facilities, pg.5.
[239] GOWC GRC A.18-07-002, Exhibit 8-3, Infrastructure and Facilities Master Plan SP2015, Great Oaks Water System Facilities and Assets, B. Water Mains and Transmission Lines, pg. 4.
[240] *Aging Pipe Proves Expensive for Municipalities*, WaterWorld, April 1, 1999.

analysis than that contained in GOWC's 2015 document is needed to guarantee that the impacts to safety, reliability, and cost are minimized as GOWC's pipelines age.

In response to discovery, GOWC stated that they have replaced "small section[s] of main (<100') if [they] have had multiple leaks in a particular area and the repair costs amount to more than just replacing the small section."[241] In response to minimum data requirements, GOWC submitted the annual number of leaks, duration, and cost statistics for the last five years (2013-2017).[242] For 2013, GOWC reported a total of 40 leaks. Although the total number of leaks decreased to 29 in 2017, the average cost to repair a leak tripled from $3,117 to $9,248 over the same period. Since some estimates place the cost of unplanned or emergency repairs at five- to ten-times more than the cost of scheduled maintenance,[243] an asset management plan that identifies, prioritizes, and plans for necessary pipeline projects in advance would likely result in long-term cost savings and improved safety and reliability of the GOWC system.

Overall, there is a significant opportunity for GOWC to improve the level of attention it gives to asset management. A detailed and comprehensive asset management plan would facilitate reviews by the Public Advocates Office and CPUC staff during rate case applications and would have likely reduced the extensive discovery that was performed to validate the prudency and reasonableness of GOWC's proposed capital budgets in the instant proceeding. More importantly, the benefits to system safety and reliability warrant the CPUC requiring GOWC to produce in its next GRC an asset management plan that is consistent with industry standards and best practices.

5. EMERGENCY PREPAREDNESS AND RESPONSE PLANS

GOWC's Emergency Preparedness and Response Plans are incomplete. The State Water Resources Control Board has identified emergency response planning as "an

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[241] Ibid.
[242] GOWC GRC A.18-07-002, Exhibit D, Report on Results of Operations, Chapter 8, Q.6. and Q.8.
[243] *Emergency Vs. Maintenance Repairs for Utilities*, Entech Engineering.

essential part of ensuring customers receive a reliable and adequate supply of potable water."[244] In fact, California law requires all public water systems with 10,000 or more service connections to develop disaster preparedness plans in conjunction with related agencies to ensure that plans are sufficient to address possible disaster scenarios.[245]

In response to the CPUC requirement that all Class A water utilities confirm compliance with applicable law, [246] GOWC submitted a 2017 document entitled *Water System Emergency Response Plan* ("ERP").[247] As submitted, GOWC's ERP is incomplete. Important sections identifying information such as mutual aid agreements and statewide notifications plans were not included. In total, thirteen (13) separate appendices are completely missing from GOWC's ERP.[248] In response to discovery, GOWC stated, "The Appendices are a work-in-progress and will be finalized as soon as time permits."[249]

Additional discovery was issued to obtain GOWC's previous ERP, which was referenced in GOWC Exhibit 3-8 as the March 17, 2008 Plan. In its response to this additional discovery, GOWC submitted a document that was missing six (6) relevant appendices.[250]

Based upon both the 2017 and 2008 ERP plans submitted, GOWC has had an incomplete emergency response plan for more than eight years. The information missing in GOWC's ERP is critical to ensuring that emergency responses are performed efficiently and effectively. Because of the potential negative impacts to system safety and resiliency, the CPUC should require GOWC to complete and submit a completed ERP within ninety days of a final decision in this proceeding.

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[244] *Emergency Response Plan Guidance*, February 2015.
[245] Government Code Section 8607.2.
[246] Minimum Data Requirement II.E.17.
[247] GOWC GRC A.18-07-002, Exhibit D, Report on Results of Operations, Chapter 8, Exhibit 8-2.
[248] Missing Appendices B through N.
[249] See Attachment II: GOWC response to ORA DR – 006, Q.6.2.a.
[250] See Attachment III: GOWC response to ORA DR – 009, Q.1

6. CROSS CONNECTION CONTROL PLAN

GOWC's cross-connection control plan is inadequate and creates a serious gap in efforts to ensure safe provision of drinking water. A well-maintained cross-connection control plan is critical for mitigating the potential for contamination that can result when a reverse flow (backflow) occurs in the distribution system. Events that can lead to backflows are common and include power outages, broken water pipes, and large-volume usage of hydrants in fire-fighting activities. Likewise, potential cross-connections that might allow dangerous substances into the drinking water system during backflow events are also common; examples include a garden hose submerged in a bucket of pesticide, improperly installed cooling and heating systems, landscape irrigation systems, and any business where mixing of chemicals occurs.

The EPA found that between 1920 and 1980, cross-connections and backflow events caused 95 percent of illness attributed to contamination of community water systems in the United States.[251] As a result of widespread reporting by the American Water Works Association on the safety risks associated with cross-connections, the first standards for backflow prevention devices were created in 1980 by the American Society of Sanitary Engineering.[252] Following a 1985 incident where the pesticide malathion being used in a California grain elevator entered the public water system through a faulty backflow prevention device,[253] the California Department of Health Services in 1987 promulgated cross-connection and backflow regulations, which among other things required water suppliers to establish plans for testing and maintaining records on backflow prevention devices throughout their systems.[254]

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[251] *Potential Contamination Due to Cross-Connections and Backflow and the Associated Health Risk*, EPA, September 27, 2001.
[252] *Cross Connection Control and Backflow Prevention History*, July 19, 2016, Craig Carmon.
[253] *Summary of Backflow Incidents*, Fourth Edition, December 1995, Pacific Northwest Section of American Water Works Association.
[254] California Code of Regulations, Title 17, Section 7584.

In its previous general rate case, GOWC submitted a letter from the California Department of Public Health dated April 12, 2013, which summarized the results of an investigation that had found deficiencies in GOWC's cross-connection control program.[255] In its response, GOWC explained that it was in the process of establishing procedures.

On September 6, 2016, an inspection of GOWC's system by the State Water Resource Control Board's Division of Drinking Water ("DDW") determined that GOWC's cross-connection control program did not meet regulatory requirements.[256] In particular, GOWC's policy did not provide clear enforcement guidelines or proper customer notifications. According to the DDW letter summarizing the inspection, GOWC informed DDW that it planned to update its cross-connection control program policy dated June 16, 1988 and would provide a copy of the updated document when available. In its March 1, 2017 response letter, GOWC informed DDW that "GOWC is still in the process of revising the Cross Connection Control Plan [and] will send the revised CCCP to the DDW when it is complete."

In the current proceeding, the Public Advocates Office issued discovery to GOWC requesting a copy of its updated cross-connection control plan. In its August 7, 2018 response, GOWC provided a copy of its current "plan" dated June 16, 1988 and explained that "this plan is being updated and revised, but that process is not complete."[257]

Despite repeated requests by various state agencies to complete and submit an adequate cross-connection control plan, GOWC maintains a plan that was last updated more than thirty years ago. Given the well-established safety risks of failing to maintain effective cross-connection control programs, GOWC should be required to complete its cross-connection control plan and submit a copy to DDW with concurrent submittal to

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[255] Exhibit D, Report on Results of Operations, Chapter 3, Exhibit 3-8, Sanitary Surveys and Company Responses, April 12, 2013 letter, pg. 2; A.15-07-001

[256] A.18-07-002, Exhibit D, Report on Results of Operations, Chapter 3, Exhibit 3-8, September 21, 2016 Sanitary Surveys, pg. 3.

[257] See Attachment I: GOWC Response to ORA DR-003.

the CPUC via a Tier I Advice Letter Compliance Filing within ninety days of a final decision in the current proceeding.

7. WATER QUALITY

Investor-owned Class – A water utilities are required to submit information about water quality as part of each GRC application.[258] In accordance with these requirements, GOWC submitted water quality information, including recent Consumer Confidence Reports in its application materials. The Public Advocates Office review and recommendations regarding water quality relied on GOWC's testimony, application, workpapers, and the most recent State Water Resources Control Board, Division of Drinking Water (DDW) inspection reports. In addition, the Public Advocates Office contacted DDW representatives to obtain updates on the agency's appraisal of GOWC's water systems.

In summary, GOWC has received four (4) drinking water citations from the Division of Drinking Water since 2012.[259] In response to each of the four citations, GOWC included disinfection as part of their Corrective Action Plan.[260] In order to prevent future citations and minimize the health and safety risks associated with bacteriological contamination of its system, GOWC should design and implement a continuous disinfection process in its entire system prior to the next GRC. The ports required for chlorination, a form of disinfection, were authorized in a previous GRC.[261] To support GOWC in this effort, the CPUC should authorize a budget of $100,000 for this additional expense in this GRC for Test Year 2019/2020 and Escalation Year 2020/2021.

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[258] See D.04-06-018 (adopting revised Rate Case Plan (RCP)); see also D.07-05-062 (adopting changes to the RCP including improved oversight of water quality data through the use of Minimum Data Requirements (MDR) pertaining to water quality that must be completed by the utility as part of its GRC testimony and cost of capital testimony).

[259] On July 1, 2014, administration of California's drinking water quality was transferred from the Department of Public Health to the State Water Resources Control Board's Division of Drinking Water.

[260] The response to each citation is discussed below.

[261] D.16-05-001, pg. 12.

a) Total Coliform Maximum Contaminant Levels

Tests for total coliforms are used to determine the adequacy of water treatment and the integrity of the distribution system.[262] The EPA's Revised Total Coliform Rule (RTCR) and Ground Water Rule state, "All public water systems (PWS)…must comply with the RTCR…starting April 1, 2016…EPA considers total coliforms a useful indicator of other pathogens for drinking water…. The Ground Water Rule (GWR) applies to public water systems that use ground water as a source of drinking water…" [263] The EPA "set the MCLG for total coliforms at zero because there have been waterborne disease outbreaks in which researchers found very low levels of coliforms."[264] Therefore, the MCL established by the EPA for water quality testing is:

> *"No more than 5.0% samples total coliform-positive (TC-positive) in a month. (For water systems that collect fewer than 40 routine samples per month, no more than one sample can be total coliform-positive per month.) Every sample that has total coliform must be analyzed for either fecal coliforms or E. coli if two consecutive TC-positive samples, and one is also positive for E.coli fecal coliforms, system has an acute MCL violation."*[265]

Fecal coliform and E.coli pose a serious public health risk. "Fecal coliform and *E. coli* are bacteria whose presence indicates that the water may be contaminated with human or animal wastes. Disease-causing microbes (pathogens) in these wastes can cause diarrhea, cramps, nausea, headaches, or other symptoms."[266]

b) GOWC Water Quality Citations (2012-2018)

Since 2012, GOWC has had four separate water quality violations and was issued a citation for each water quality violation. Each of the violations required a public notice in response to each citation. These failures point at a problem: Although GOWC

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[262] https://www.epa.gov/dwreginfo/revised-total-coliform-rule-and-total-coliform-rule
[263] https://www.epa.gov/dwreginfo/ground-water-rule
[264] MCLG is the "Maximum Contaminant Level Goal"; Ibid.
[265] https://www.epa.gov/ground-water-and-drinking-water/national-primary-drinking-water-regulations
[266] Ibid.

complies with applicable water quality standards most of the time; the remedial, temporary water disinfection actions needed in response to each one of the citations suggests that a continuous disinfection of the entire system should be undertaken to avoid repetition of this cycle. Among its other objectives, the mission of the Public Advocates Office is to ensure that customers receive consistently good quality potable water, and continuous disinfection will help ensure that bacteriological contamination will not periodically be expected to occur. The following four DDW citations highlight the problem:

In February 2012, 5.4% of water quality samples tested positive for total coliform, which exceeded the monthly maximum contaminant level (MCL) for total coliform.[267] To remedy the violation, GOWC reviewed sampling procedures with personnel and disinfected sampling stations.[268] According to the DDW, GOWC initiated public notification of its violation on March 6, 2012.[269]

On October 14, 2013, the DDW issued a second citation to GOWC for violating the Total Coliform Rule.[270] In September 2013, 5.7% of the water samples collected in GOWC's water system had again exceeded the monthly MCL for total coliform. Further testing verified that none of the samples collected during September 2013 tested positive for E. coli,[271] however, to remedy the violation, GOWC temporarily chlorinated sample sites number 9 and 22 and flushed water mains in the affected area until the water was

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[267] A.15-07-001, GOWC Exhibit D, Report on Results of Operations, Chapter 3, Company Operations and Basic Information, pg. 3.

[268] A.15-07-001 GOWC Exhibit 3-6, CDPH letter to GOWC (Water System No. 4310022), Citation No. 02-17-12C-012 – Citation for Noncompliance Maximum Contaminant Level – Total Coliform Bacteria, dated March 6, 2012, pg. 15.

[269] A.15-07-001 GOWC Exhibit 3-6, CDPH letter to GOWC (Water System No. 4310022), Citation No. 02-17-12C-012 – Citation for Noncompliance Maximum Contaminant Level – Total Coliform Bacteria, dated March 6, 2012, pg. 15.

[270] A.15-07-001 GOWC Exhibit 3-6, CDPH letter to GOWC (Water System No. 4310022), Citation No. 02-17-13C-017 – Citation for Noncompliance Maximum Contaminant Level – Total Coliform Bacteria, dated October 14, 2013, pg. 2.

[271] A.15-07-001 GOWC Exhibit 3-6, CDPH letter to GOWC (Water System No. 4310022), Citation No. 02-17-13C-017 – Citation for Noncompliance Maximum Contaminant Level – Total Coliform Bacteria, dated October 14, 2013, pg. 2.

clear and without odor.[272] Subsequent samples tested negative for total coliform.[273] According to the DDW, GOWC initiated public notification of its violation on October 1, 2013.[274]

On April 23, 2015, the DDW issued the third citation to GOWC for violating the Total Coliform Rule.[275] In March 2015, 10.4% of samples tested positive for total coliform. Further testing verified that none of the samples tested positive for E. coli[276] and GOWC explained that a number of factors potentially contributed to the poor test results, including: reduced flow due to conservation, higher temperatures as they approach the summer months, less system flushing to avoid water waste, and lower aquifer levels that allowed more oxygen and nutrients into the water which could have led to bacterial growth.[277]

To remedy the March 2015 violation, GOWC flushed the mains in the affected area, installed a chlorinator at Well #8 and started emergency chlorination.[278] Subsequent samples tested negative for total coliform[279] and GOWC initiated public notification of its violation on April 10, 2015.[280]

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[272] A.15-07-001, GOWC Exhibit 3-6, GOWC Proof of Notification for Citation Number 02-17-13C-017, dated November 12, 2013, pg.7.
[273] A.15-07-001, GOWC Exhibit 3-6, GOWC Proof of Notification for Citation Number 02-17-13C-017, dated November 12, 2013.
[274] A.15-07-001 GOWC Exhibit 3-6, CDPH letter to GOWC (Water System No. 4310022), Citation No. 02-17-13C-017 – Citation for Noncompliance Maximum Contaminant Level – Total Coliform Bacteria, dated October 14, 2013, pg. 3.
[275] A. 15-07-001, GOWC Exhibit 3-6, DDW letter to GOWC - Citation No. 02-17-15C-014 – Citation for Violation of California Code of Regulations, Title 22, Section 64426.1(b)(1) – Water System No. 4310022, dated April 23, 2015, pg. 1.
[276] Id., p. 5.
[277] A.15-07-001, GOWC Exhibit 3-6, GOWC Corrective Action Plan for Citation Number 02-17-15C-014, dated May 12, 2015.
[278] A.15-07-001, GOWC Exhibit 3-6, GOWC Corrective Action Plan for Citation Number 02-17-15C-014, dated May 12, 2015, pg. 39.
[279] Ibid.
[280] A. 15-07-001, GOWC Exhibit 3-6, GOWC's Notice to Customers titled "In the Month of March 2015, Great Oaks Water Co. Had Levels of Coliform Bacteria Above the Drinking Water Standard," dated April 10, 2015.

On January 19, 2017, the DDW issued the fourth citation to GOWC for violating the Total Coliform Rule.[281] During December 2016, 15.6% of water samples tested positive for total coliform. Further testing verified that none of the samples tested positive for E. coli[282] and GOWC cited inadequate disinfection of a new section of pipeline as the cause of the bacteriological outbreak.[283]

To remedy the January 2017 violation, GOWC immediately isolated the new pipeline and took it out of service. GOWC then added 12.5 % sodium hypochlorite disinfectant to the Ashmont and Levin tanks.[284] After samples were taken on December 21, 2016, GOWC then "commenced emergency chlorination of all source water entering the service area"[285] Subsequent samples tested negative for total coliform[286] but GOWC continued to chlorinate their entire system until December 28, 2016.[287] GOWC initiated public notification of its violation on January 10, 2017.[288] Samples taken December 28, 2016 through January 30, 2017 tested negative for Total Coliform and E.coli.

c) Disinfection

Disinfection of drinking water eliminates "bacteria or any microorganism that may be in the water."[289] Each of the four (4) water quality citations issued by DDW triggered a public notice and resulted in GOWC performing temporary disinfection of portions of its distribution system. In response to the most recent water quality citation, GOWC commenced emergency chlorination of all source water.

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[281] GOWC Exhibit 3-6, DDW letter to GOWC - Citation No. 02_17_17C_001 – Citation for Noncompliance Total Coliform Maximum Contaminant Level Violation California Code of Regulations, Title 22, Section 64426.1(b)(1) – Water System No. 4310022, dated January 19, 2017, pg. 1.
[282] Ibid., pg. 3.
[283] Ibid., pg. 4.
[284] GOWC Exhibit 3-6, DDW letter to GOWC - Citation No. 02_17_17C_001 – Citation for Noncompliance Total Coliform Maximum Contaminant Level Violation California Code of Regulations, Title 22, Section 64426.1(b)(1) – Water System No. 4310022, dated January 19, 2017, Corrective Action Plan, February 7, 2017.
[285] Ibid.
[286] Ibid.
[287] Ibid.
[288] GOWC Exhibit 3-6, GOWC's Notice to Customers titled "In the Month of March 2015, Great Oaks Water Co. Had Levels of Coliform Bacteria Above the Drinking Water Standard," dated January 2017.
[289] "Water on Tap what you need to know", October 2013, pg. 8.

Since 2012, GOWC has taken a reactive approach to ensuring safe drinking water supply by temporarily disinfecting the system after each DDW citation as part of their Corrective Action Plan.[290] A better approach would be a proactive one in which GOWC implements continuous disinfection of the entire system to avoid additional DDW citations for poor water quality. In fact, GOWC acknowledged in discovery that the overall safety of its service would be improved if continuous disinfection was maintained. [291]

In February 2015, GOWC "received approval from the State Water Resources Control Board DDW to operate the Calero tank site chlorination facility a[s] precautionary disinfection for the Calero pressure zone." [292] GOWC currently supplies water to the Calero Pressure Zone with continuous chlorination at an annual cost of approximately $7,750.[293] GOWC states, "The Calero Pressure Zone is connected (physically) to the Great Oaks' system, but water from the Calero Pressure Zone cannot travel to any other portion of the Great Oaks' system due to system pressure and automatic control valves which isolate the water…"[294]

The CPUC previously authorized GOWC chlorination ports for all supply sources in the GOWC system.[295] Therefore, implementing continuous disinfection would likely result in relatively minor incremental cost, such as purchasing the required chemicals for injection. A reasonable estimate for maintaining continuous disinfection of the entire GOWC system is $100,000 annually. This estimate is based upon GOWC's actual incurred cost of $2,500 for disinfecting the entire system for nine (9) days in response to exceeding the total coliform MCL in December 2016.[296] The additional cost of $100,000

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[290] GOWC Exhibit 3-6, DDW letter to GOWC - Citation No. 02_17_17C_001 – Citation for Noncompliance Total Coliform Maximum Contaminant Level Violation California Code of Regulations, Title 22, Section 64426.1(b)(1) – Water System No. 4310022, dated January 19, 2017, Corrective Action Plan, February 7, 2017.
[291] See Attachment II: GOWC response to Data Request – 006, Q.6.4.4.
[292] See Attachment II: GOWC response to DR-006, Q.6.4.
[293] See Attachment IV: GOWC response to DR-015, Q.15.1.c.
[294] See Attachment IV: GOWC response to DR-015, Q.15.1.a.
[295] D.16-05-001, pg. 12.
[296] See Attachment IV: GOWC response to DR-015, Q.1.b.

would be in addition to $7,750 in expenses already included in revenue requirements as part of ongoing disinfection of the Calero Pressure Zone.

After four violations between the years 2012-2017, GOWC's admission that disinfection improves safety, and prior authorization of chlorination facilities, the CPUC should order GOWC to design and implement a continuous disinfection process for its entire system prior to the next GRC.

D. CONCLUSION

Infrastructure investment is critical to maintaining a safe and reliable water supply system. GOWC has the potential to improve safety and reliability of the water system with a comprehensive Asset Management Plan, a completed Emergency Preparedness and Response Plan, and a completed updated Cross-Connection Control Plan. The Commission should adopt, in this GRC, gross plant additions of $2,223,573 for 2018/2019, $2,255,533 for 2019/2020, and $1,763,646 for 2020/2021, as requested by GOWC.

GOWC can also improve the safety and quality of its water supply, consistent with both the CPUC's and the Public Advocates Office's mission, by achieving continuous disinfection to its entire water system. GOWC confirmed that the safety of the system improves by maintaining a disinfectant residual. To support GOWC in this effort, a budget of $100,000 for this additional expense should be authorized by the CPUC in this GRC for Test Year 2019/2020 and Escalation Year 2020/2021.

ATTACHMENT VII-1: GOWC RESPONSE TO DATA REQUEST – 003

GREAT OAKS WATER COMPANY

P. O. BOX 23490
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August 7, 2018

Via email to:

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RE: **Great Oaks Water Company Responses to ORA Data Request No. 003 Plant**

Great Oaks Water Company (Great Oaks) hereby provides its responses to ORA Data Request No. 003 Plant.

Responses to Data Request No. 003 Plant

3.1 GOWC Cross Connection Control Plan

a. The September 21, 2016 DDW Sanitary Survey recommended that the Cross-Connection Control Plan be revised. In a March 1, 2017 response to this request, GOWC stated that the revised Cross Connection Control Plan will be sent when it is complete. What is the status of the Cross-Connection Control Plan as of this date? If available, please provide. If not complete, please provide an estimated completion date.

Response: A copy of Great Oaks' current Cross-Connection Plan is provided and marked as GOWC ORA-003-3.1a. This Plan is being updated and revised, but that process is not complete.

Great Oaks did provide this current Plan to the State Water Resources Control Board's Division of Drinking Water and indicated that the revised/updated Plan would be provided when completed. The estimated completion date is December 31, 2018.

Please note that this document is also responsive to **ORA Data Request No. 006 Plant, Question 6.3**.

3.2 GOWC Pressure Zones

a. How many pressure zones are included in the GOWC system?

Response: There are seven (7) pressure zones in the GOWC system.

b. Please explain how pressure zones are created and the criteria used to distinguish between existing zones.

Response: Pressure zones 1, 2, 3, 4, and 6 are created by storage tanks. Pressure zones 5 and 7 are created by pressure reducers. Pressure zone 7 will become part of pressure zone 6 when the previously-approved main extension (referred to as the "Country View Drive Main Extension" in Great Oaks' 2015 General Rate Case) is completed and placed into service later this year.

c. How many service connections are located in each zone?

Response:

Pressure Zone	Service Connections
1	19,377
2	1,061
3	987
4	24
5	5
6	97
7	4

3.3 GOWC Tank Cathodic Protection Request

a. Exhibit G, Capital Projects Justifications (C.1. Transmission and Distribution Plant Additions, Reservoirs & Tanks) includes a request for new cathodic protection of tanks at an estimated budget of $35,000.

1. To which tanks does this request apply? List the name of the tanks and most recent date of cathodic protection capital improvement project.

1

Response: The capital project request for cathodic protection applies to the Levin 3.0 MG tank (visited during ORA's July 26, 2018 site visit).

Cathodic protection was installed for the Levin 1.5 MG tank in December, 2015, and for the Ashmont 1.5 MG and 0.5 MG tanks in April, 2013.

2. Provide the most recent tank inspection report for each tank in the GOWC system.

Response: See Exhibit 3-8 of Great Oaks' Exhibit D, Report on Results of Operations.

3.4 GOWC Valve Replacements

a. Exhibit G, Capital Project Justifications (C.2. Transmission and Distribution Plant Additions, Valve Replacements) includes a request for 19 valves at a budget of $418,000. Provide all documentation and calculations supporting this request.

Response: The table below shows the estimates for each valve replacement.

Item	Cost
Permit (City of San Jose)	$2,500
Labor	$9,000
Equipment	$2,000
Shoring/Plates	$2,500
Materials	$4,000
Surface Restoration (Concrete/Asphalt)	$2,000

3.5 GOWC Leak Detection Equipment Request

a. Exhibit G- Capital Projects Justifications (D. 2. General Plant Additions, Leak Detection Equipment) includes a request for leak detection equipment at a cost of $20,000. Included in the description of the project request, GOWC stated that equipment was purchased in 2016 and 2017 for a total of $15,012.11.

i. During the July 26, 2018 site visit, GOWC explained that the leak detection equipment has not been working well. Provide two examples of this and include supporting documents.

Response: Example 1: The equipment was tested on a known leak. In this example, the leak detection equipment did detect noise (indicative of a leak), but the leak detection equipment and associated software did not provide accurate location data. The data provided was misaligned with our GIS map data (even though the systems were correlated), and the information used to pinpoint a leak (distance from detectors) was inaccurate. The image below is a screenshot from this example.

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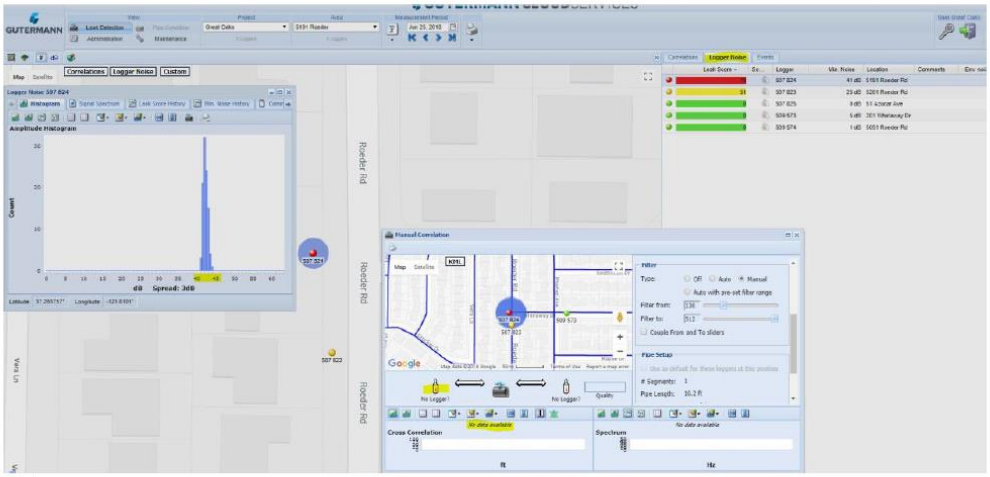
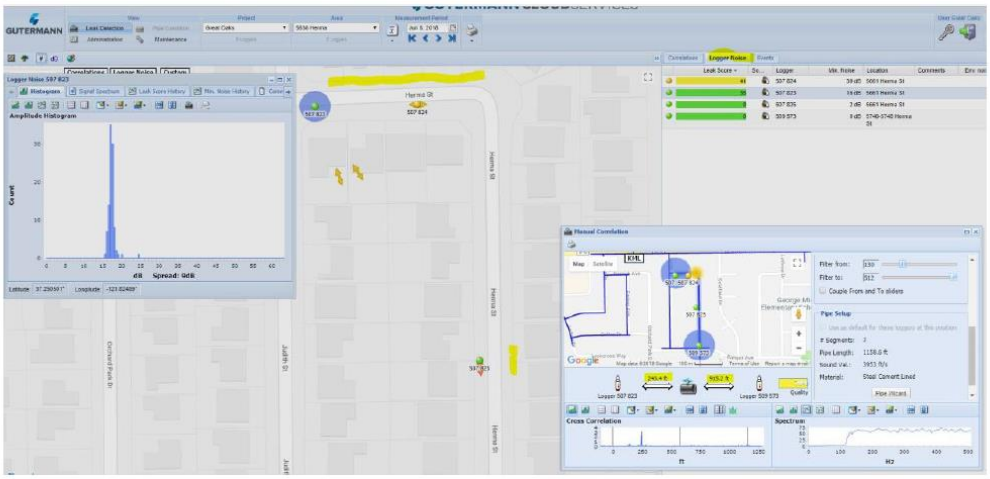


Example 2: Once again, for a known leak, the leak detection "loggers" showed "noise" indicative of a leak, but the location information provided was not accurate, was misaligned with the GIS mapping system, and was plagued with distance information (easily confirmed by the fact that the location of the leak was known).



Please note that Great Oaks will continue to trouble-shoot and make every effort to make the leak detection equipment it has already purchased useful. Those efforts have not ended.

ii. Provide a map of the locations showing the locations of the leaks where the leak detection equipment didn't work.

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Response: Please see the maps in the images for the two examples provided immediately above.

iii. How would the proposed equipment differ from that previously purchased which is not working?

Response: Great Oaks is proposing to obtain leak detection equipment from another vendor/manufacturer to test. The testing process will be much the same as described above. While Great Oaks will try to obtain the equipment on a trial basis, the projected cost for this equipment is based upon purchasing the same basic amount of equipment that is still being tested and de-bugged. Great Oaks is not saying the leak detection equipment it purchased is useless; Great Oaks is saying that the process to fully determine its usefulness is not complete and that options do exist for similar equipment from different vendors/manufacturers. Leak detection is an important cost-control and water-saving activity that Great Oaks will continue to utilize.

3.6 GOWC SCADA System

a. Exhibit G – Capital Projects Justifications (D. 4. General Plant Additions, Communication Equipment) includes a request for pressure measuring devices for reporting through the SCADA system at a budget of $75,000. Provide vendor quotes for these pressure measuring devices.

Response: The Company wishes to improve the pressure measuring points within the system beyond points of Well and Tank connections to reliably add an option to control certain pumps via system pressure to add safeguards in the event of localized pressure anomalies due to any number of possible scenarios such as main rupture, heavy fire use, etc. The pressure data will also be useful when reporting average system pressure for purposes of annual water loss audits.

Remote pressure monitoring via a system using cellular low power remote telemetry would be an ideal fit for installations throughout the system in strategic locations. A system such as the Mueller Company Remote Pressure Monitoring System would be one possible fit to this requirement. A quote from Mueller is forthcoming, however information about the system is included on the brochure attached hereto as GOWC ORA-003-3.6a.

b. Exhibit G – Capital Projects Justifications (D. 4. General Plant Additions, Communication Equipment) also includes a request for SCADA connection and reprogramming at a budget of $10,000. Provide a detailed explanation of this request and vendor quotes for this.

Response: Once installed, the remote pressure system would need to be integrated into the existing SCADA system. Additional ladder logic will need to be developed and added to the individual well location RTUs. This work would be conducted in-house and is estimated to take between 15 and 30-man days for the initial integration. This is the basis for the reprogramming budget of $10,000.

3.7 Fixed Asset Hardware and Software

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a. Exhibit G- Capital Projects Justifications (D.1. General Plant Additions, Computer Equipment) indicated that price quotes have been requested for the proposed new asset management system. Provide the quotes.

Response: Great Oaks received a verbal quote from a representative of PowerPlan, Inc. out of Atlanta, Georgia. Here is a link to the PowerPlan website: https://powerplan.com. The PowerPlan Fixed Asset Module is the solution quoted to Great Oaks. Great Oaks has requested written confirmation of the quote and has not yet received it. When it is received, Great Oaks will provide the written quote to ORA.

3.8 Customer Service Software

a. Exhibit G – Capital Projects Justifications (D.1. General Plant Additions, Computer Equipment), includes a request to install a server and provide customer access to bills, billing history, and usage history. Provide vendor quotes for this.

Response:

	Server Estimate:			
		Description and Live Links		**Extended**
1	Case	Corsair Obsidian 750D Black Aluminum / Steel ATX Full Tower Computer Case	$ 139.99	$ 139.99
1	Power Supply	EVGA SuperNOVA 850 G3, 220-G3-0850-X1, 80+ GOLD, 850W Fully Modular	$ 159.99	$ 159.99
1	Mother Board	ASUS P9D-E/4L ATX Server Motherboard LGA 1150 DDR3 1600/1333	$ 273.31	$ 273.31
1	CPU	Intel Xeon E3-1270 v5 SkyLake 3.6 GHz 8MB L3 Cache LGA 1151 80W BX80662E31270V5 Server Processor	$ 349.99	$ 349.99
2	Memory	Crucial 16GB (2 x 8GB) 240-Pin DDR3 SDRAM ECC Unbuffered DDR3 1600 (PC3 12800) Server Memory Model CT2KIT102472BD160B	$ 196.45	$ 392.90
1	Raid Card	Adaptec RAID 6805E 2271800-R 6Gb/s SATA/SAS 8 Internal Ports w/ 128MB Cache Memory Controller Card, Kit	$ 482.00	$ 482.00
2	SSD	SAMSUNG 860 Pro Series 2.5" 512GB SATA III 3D NAND Internal Solid State Drive (SSD) MZ-76P512BW	$ 209.99	$ 419.98
1	CD/DVD/BR	Pioneer Black 16X BD-R 2X BD-RE 16X DVD+R 5X DVD-RAM 12X BD-ROM SATA Blu-ray Burner BDR-2209	$ 89.99	$ 89.99
				$ 2,308.15
1	Router	Ubiquiti Networks USG-PRO-4-US Enterprise Gateway Router with Gigabit Ethernet	$ 269.99	$ 269.99
1	Switch	Ubiquiti US-8-US Unifi Switch	$ 99.00	$ 99.00
1	UPS	APC SMT1500RM2UC 1440 VA 1000 Watts 120V 6 Outlets Pure Sinewave Smart-UPS with SmartConnect	$ 656.58	$ 656.58
				$ 1,025.57
1	Application	In House Set up, implementation and application development of Ubuntu Linux Lamp Stack: Linux, Apache, MySQL, PHP and Dojo Toolkit requiring approxiametly 10 to 30 man days	$ 10,000.00	$ 10,000.00
				$ 13,333.72

Attached is an Excel spreadsheet (Titled GOWC ORA-003-3.8a) with active links to each component part of the proposed capital addition.

i. How will the usage history information provided through this system be different from the usage history information provided by the WaterSmart software GOWC currently makes available to customers?

Response: The WaterSmart service currently used by Great Oaks water primarily deals with water usage and educating the customer for the purposes of smart water use and conservation. WaterSmart goes to great lengths to educate the customer in terms of usage trends and provides tools for water usage planning. However, no billing information is provided by the WaterSmart platform in terms of past invoices or balance due.

The server proposed by Great Oaks would be for the purpose of providing billing specific information including current balance and invoice history, as well as a way for the customer to

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opt-in for future means of billing and service communication methods such as SMS texting and email. Great Oaks already maintains the billing information in its current billing system and will use the proposed server as an isolated security-conscious method for conveying that information to the customer without exposing its internal systems.

3.9 GOWC Cellular Meters

a. Exhibit G – Capital Projects Justifications (C.4. Transmission and Distribution Plant Additions, Meters) includes a request for cellular meters at a budget of $7,500. Provide all documentation and calculations supporting the budget request.

Response: Great Oaks purchased several meters with cellular capabilities for use as hydrant meters in 2016. The cost for the meters averaged between $200 and $250 per meter. Using that as a guide, and including time and expense for installation, Great Oaks estimated the total cost for 25 such meters to be $7,500 ($300 per meter). This is for purposes of experimenting with meters of this type. An invoice for two such meters is attached as GOWC ORA 003-3.9a.

3.10 GOWC Security System

a. Does GOWC Have a Water System Protection Plan (separate from the EPA Vulnerability Assessment)? If yes, please provide it. If not, describe how GOWC secures its facilities.

Response: Please note that Great Oaks inquired as to the meaning of the term "Water System Protection Plan" before responding. In response to Great Oaks' request, ORA clarified its request as one seeking a description of how Great Oaks' infrastructure is secured.

All of Great Oaks critical facilities are fully fenced and locked for security purposes. This includes all well and tank sites. All pump and tank control systems as well as access to storage tanks are additionally locked and secured.

The office facilities and the Well 2 shop building have networked motion sensing alarm systems installed and active. The office has cameras and video recording equipment throughout.

For current control infrastructure and future improvements in security Great Oaks has completed a high-bandwidth communication system, independent of third party data providers, linking the tank and well sites throughout its service area with the office.

An augmented intrusion detection system including motion sensors, cameras, video recording, and relaying hardware and software has been installed and tested at Well 16. Additional installations to all well and tank sites are currently in process pending scheduling.

3.11 GOWC Lead Inspections

a. Provide the GOWC Lead Service Line Inspection Plan.

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Response: Health and Safety Code Section 116885 required all community water systems to compile an inventory of known partial or total lead service lines in use in their distribution systems by July 1, 2018. The inventory includes both active service lines and those that are expected to become active in the future.

Great Oaks has information about the materials from which its service lines have been constructed since the inception of the system. That information is routinely supplied by Great Oaks to the California Public Utilities Commission in its Annual Report (see, e.g., Schedule D-3 of Great Oaks' 2017 Annual Report). Great Oaks knows of no partial or total lead service lines in use in its distribution system.

Whenever Great Oaks performs repairs of its water system, including repairs of its service lines (pipes and connections), Great Oaks also performs a regular inspection to determine if the service lines have any lead or lead components (connections and/or connecting material). Should any inspection reveal the presence of lead, Great Oaks will use that information to assess the likelihood of similar lead or lead components in its system. As of this date, no lead or lead components have been revealed in these inspections.

Date: August 7, 2018

/S/

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
Facsimile: (408) 227-7126
Email: tguster@greatoakswater.com

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VERIFICATION

I, Ron Ceolla, am Vice President of Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 003 Plant and know the contents thereof. I certify that the Response to Question 3.7 is true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 7, 2018.

/S/

Ron Ceolla

VERIFICATION

I, Mike Carey, am Water Quality Specialist for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 003 Plant and know the contents thereof. I certify that the Response to Question 3.1 is true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 7, 2018.

/S/

Mike Carey

VERIFICATION

I, Jared Ajlouny, am Vice President of Operations and Director of Construction for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 003 Plant and know the contents thereof. I certify that the Response to Questions 3.2, 3.3, and 3.4 are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 7, 2018.

/S/

Jared Ajlouny

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VERIFICATION

I, Ben Newmeyer, am Water System Lead Technician for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 003 Plant and know the contents thereof. I certify that the Response to Question 3.5 is true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 7, 2018.

/S/
Ben Newmeyer

VERIFICATION

I, Jim Mashburn, am Director of Technology for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 003 Plant and know the contents thereof. I certify that the Response to Questions 3.6, 3.8, and 3.10 are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 7, 2018.

/S/
Jim Mashburn

VERIFICATION

I, Timothy S. Guster, am Vice President and General Counsel of Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 003 Plant and know the contents thereof. I certify that the Response to Questions 3.9 and 3.11 are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 7, 2018.

/S/
Timothy S. Guster

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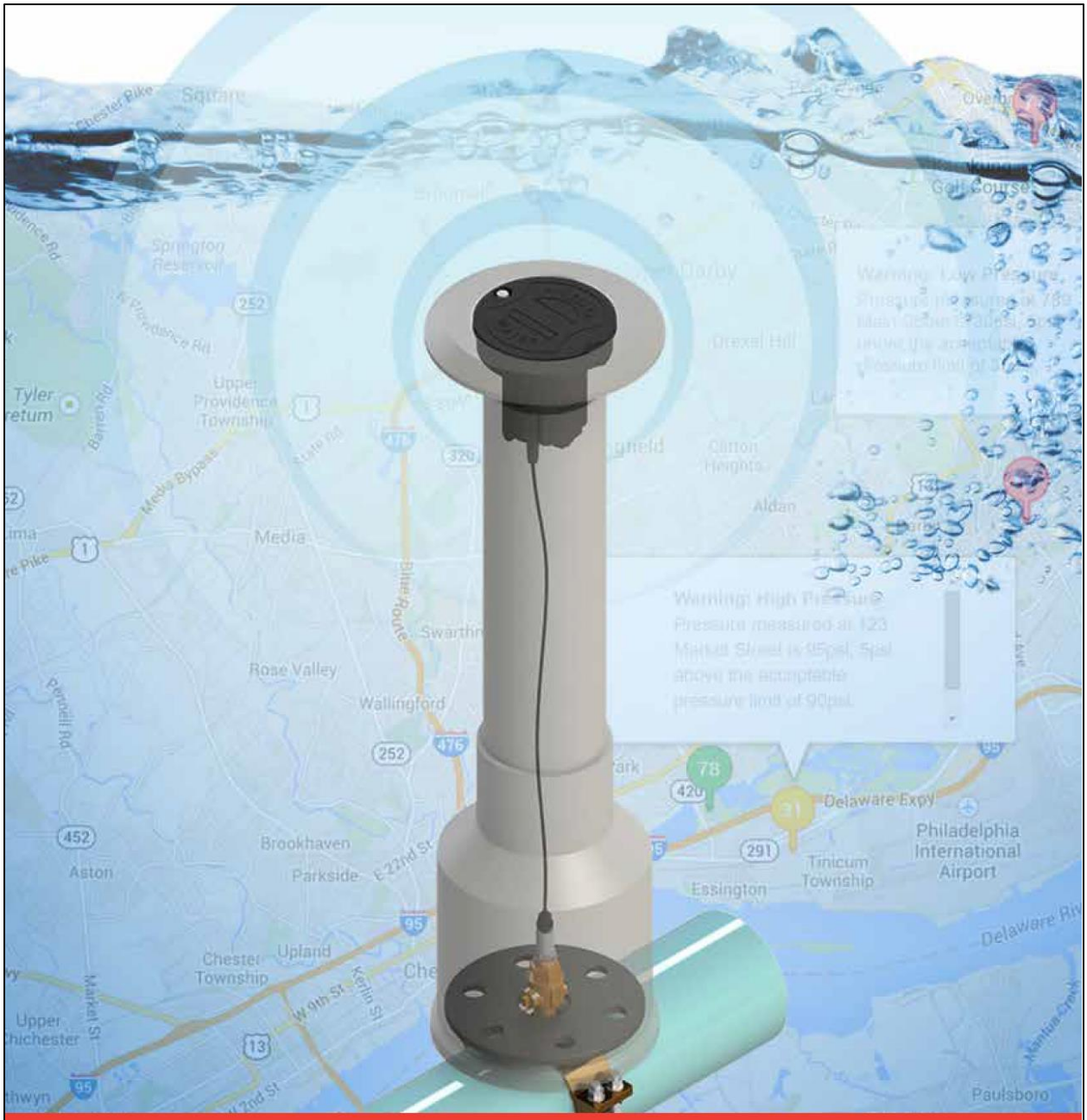
GOWC ORA-003-3.6a

Mueller Remote Pressure Monitoring Equipment



Remote Pressure Monitoring System*

Reduce water main breaks and customer complaints

*Patent pending

Mueller Co.

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Remote Pressure Monitoring System

Intelligent Water Technology™

About The System

Several years ago, Mueller began a journey to develop a user friendly and cost-effective technology to continuously and remotely monitor pressure at any point within a potable water distribution system. The technology involves threading a sensor onto a corporation valve to transmit pressure readings. The pressure sensor, typically installed one per District Metering Area (DMA), reports at user-defined intervals via cellular service and a Mueller-hosted secure web server. Beginning with pressure monitoring, Mueller has created a communications backbone that utilities can integrate into its monitoring systems or use as a stand-alone monitoring platform.

Why Monitor Pressure in the Distribution System?

Pressure management in pipe networks are fundamental to providing safe drinking water. The loss of pressure can allow ground water to contaminate the distribution system. Fluctuations in pressure can affect the physical integrity of pipes. Surges in pressure have been known to create additional leaks, main breaks and/or dramatically reduce infrastructure life. Pressure management can also save money. Accurate pressure data allows system operators to reduce leakage volumes, energy costs, system maintenance costs, customer complaints, and water quality problems.

- Reduce unaccounted for (non-revenue) water (NRW)
- Identify potential infrastructure failures related to pressure fluctuations which can lead to signigicant repair costs.
- Reduce pumping and energy costs
- Improve public safety

❶ Remote Telemetry Unit (RTU)

The American Association of State Highway Transportation Officials (AASHTO) H20-rated RTU houses the circuit board and antenna. This component features a replaceable battery. An optional lock is available.

❷ Adjustable Top

12" ductile iron top section inserted inside of the composite valve box section for field adjustability.

❸ Composite Valve Box

The Mueller valve box is light weight and manufactured from a durable composite polymeric material allowing for easy field adjustment with ordinary tools.

❹ Sensor Transducer

Captures and transmits data from the installation point to the RTU via the standard 11' cable, extension cables are available. Standard pressure transducer is rated at 250 psi with a 300 psi option available.

❺ Corporation Valve

The Mueller 300 psi-rated low lead ball valve is manufactured in compliance with the AWWA C-800 and complies with the federal Safe Water Drinking Act.

❻ Bronze Service Saddle

The Mueller bronze double strap service saddle provides years of trouble-free service.

❼ Installation Flexibility

The Remote Pressure Monitoring System has the ability to be installed directly into the distribution main, or in vault-type applications.

*Patent Pending

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Remote Pressure Monitoring System*

Your source for accurate, reliable data

Features & Benefits

Process	Features	Benefits
Aquisition	Available through the largest waterworks distributor and field sales networks in US	Work with people and organizations that you trust and have depended on for decades
	Product, system and monthly cellular service provided by Mueller Co.	Single purchase order
Installation	Can be installed directly in water main autonomously (i.e. in a new valve box using an approved service saddle and corp valve) or into an existing valve box and ¾" NPT port	Pressure can be monitored anywhere along the pipe distribution network
	Easy-to-follow user operation and installation manual	Simple installation and immediate activation
Operation	Customer configurable alerts for low and high pressure conditions	System adapts to the unique needs of each utility
	Multi-security level settings and use	Allows utility administrator to alert various personnel depending on pressure conditions and responsibilities
	Alerts are transmitted via SMS and/or email	Immediate messaging tailored to personnel preferences
	Data transmitted via most reliable machine-to-machine cellular service	No need to deploy personnel to read devices; data is transmitted up to 1/1,000 seconds per sample
	Encrypted website	Data is safe and secure and is only visible to one client
	ESRI map interface via any web browser	User-friendly and intuitive
	RTU withstands vibration and AASHTO H20 traffic loading	Components are durable and long-lasting
	Measures pressures from 0 to 200 psig and operating in temperatures of -30°F to 150°F	Can operate in a wide variety of climates and flow conditions
	Up to 5 years of battery life	Battery pack can be field replaced
Support	Toll-free number 844.263.5395	Immediate access to set up or troubleshoot system

Ordering Information

Selection	Code	Description
Pressure Monitoring Data Logger	IWT01	Remote pressure monitoring and event logger with pressure sensor
Mueller® Low-lead Corporation Stop	B20045N	Mueller 300™ ball corp, 3/4"
Mueller Service Saddle**	Direct installations into water service lines will require a service saddle. Select a saddle option based on pipe OD size from options below	
Non-saddled	WOSADDLE	No saddle required for installation
If saddle is required select ONE from list below		**OD Range (in.)**
BR2B (3/4" cc) *For use on Ductile/Cast iron*	BR2B0474	4.74 - 5.32
	BR2B0684	6.84 - 7.45
	BR2B0899	8.99 - 9.67
	BR2B1104	11.04 - 12.12
	BR2B1314	13.14 - 14.58
	BR2B1522	15.22 - 16.88
	BR2B1732	17.32 - 19.19
BR2S (3/4" cc) *For use on A-C, Cast Iron, Ductile Iron, and C900 PVC****	BR2S0474	4.74 - 5.32
	BR2S0684	6.84 - 7.45
	BR2S0899	8.99 - 9.67
	BR2S1104	11.04 - 12.12
	BR2S1314	13.14 - 14.58
	BR2S1522	15.22 - 16.88
	BR2S1732	17.32 - 19.19
BR2W (3/4" cc) *For use on A-C, Cast Iron, Ductile Iron, and C900 PVC****	BR2W1800	18.00 - 19.50
	BR2W2000	20.00 - 24.60
	BR2W2400	24.00 - 25.00
Mueller Valve Box	WO-MVBC	No valve box required
If valve box is required select ONE from the list	MVB0030C	Composite 3" valve box (upper/lower)
	MVB0050C	Composite 5' valve box (upper/lower)
	MVB0070C	Composite 7' valve box (upper/lower)
	MVB0090C	Composite 9' valve box (upper/lower)
	MVB110C	Composite 11' valve box (upper/lower)

**Patent pending*
***If the pressure may exceed 200 psi; a ductile iron saddle should be used.*
****Recommendation is to use a full encirclement saddle for PVC pipe; See the Mueller Catalog pages 4-4 and 4-5.*

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How It Works

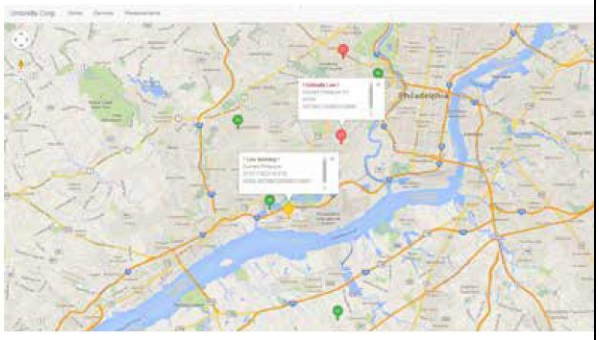
Mueller's Remote Pressure Monitoring System is engineered to be deployed anywhere in a distribution system. It can be installed by way of a direct tap into the distribution main or at the meter vault. The system includes a lithium 5-year battery and 1-year of cellular service with a renewable annual contract.

Rapid Installatiion

Installing the Remote Pressure Monitoring System requires a minimal amount of advanced planning. Prior to the installation, strategic installation points should be identified. These installation points will determine if the device will require a valve box. Once the pressure sensor has been securely connected to the corporation valve and the sensor wire to the RTU, the device will automatically operate. The device will reveal system pressures with no additional inputs and is ready for operation and system monitoring.

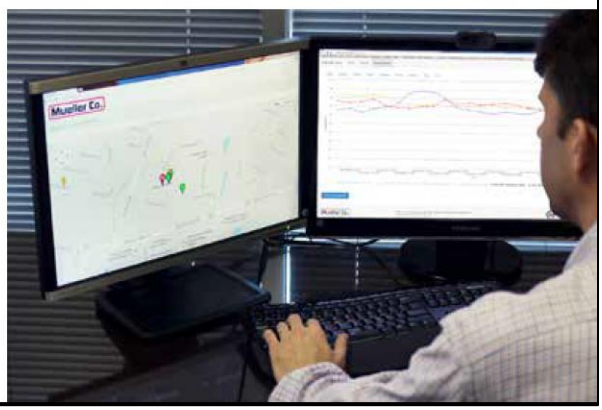
Remote Monitoring Operation

During deployment, a Mueller representative will send an invitation email to the designated customer administrator with sign-in instructions. Once logged into the secure web page, the customer can immediately begin viewing data from all pressure sensor devices that have been deployed. To view details for a specific pressure sensor location, click on the map icon to display the data associated with that sensor. The "Device" screen contains device specific data including location, alarm settings, and login intervals. The "Measurements" screen allows the user the option to browse data over various time frames. Selecting "6 Month" displays data collected in the past 6 months, giving an operational curve of pressure over time.



System Integration and Support

This system transmits the captured data via cellular communication to a smart phone, desktop, or SCADA System. High and low pressure alerts are able to be sent to these devices. Technical support is available after system installation by calling 844.263.5395 during business hours.



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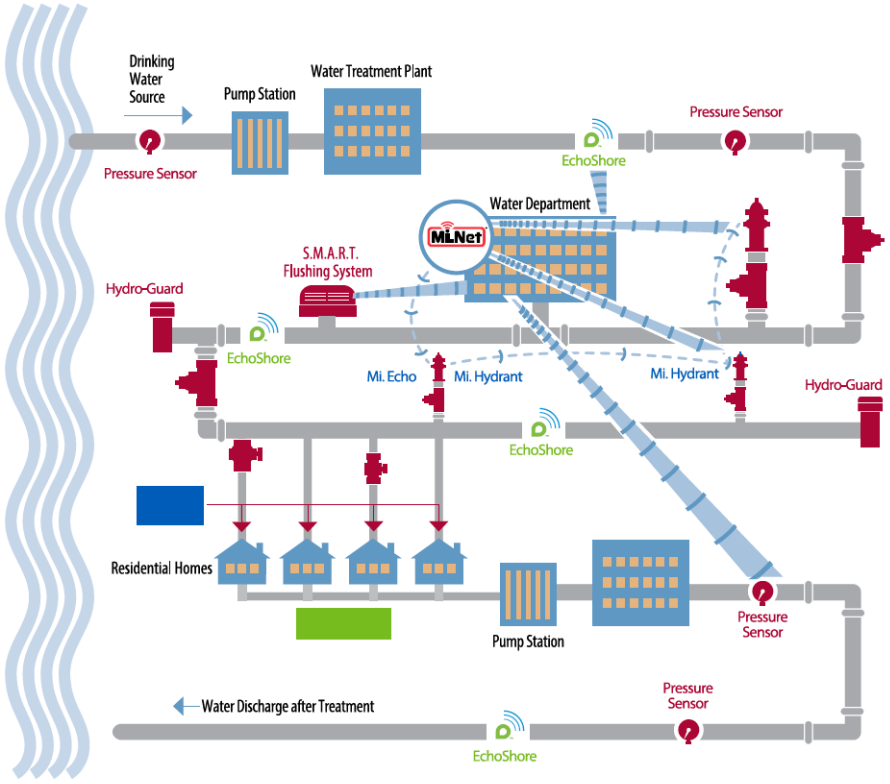

● Mueller Co. ● Mueller Systems ● Echologics

This diagram is for illustrative purposes only

For more information visit www.intelligentwatertechnology.com

What is Intelligent Water Technology™?

Intelligent Water Technology is much more than remote pressure monitoring. Intelligent Water Technology is our full line of innovative solutions, products and services that actively diagnose, monitor and control the delivery of safe, clean drinking water to consumers and businesses while ensuring water utilities optimize their investments. It's about delivering information for smart decisions concerning your water infrastructure now and into the next century. It's providing data that helps operators reduces non-revenue water and optimize infrastructure investments from main to meter.

Intelligent Water Technology is automated flushing systems and water quality sample stations. The Hydro-Guard® system monitors water quality in distribution piping and automatically initiate flushing as necessary to maintain disinfectant residuals as required by the U.S. Environmental Protection Agency. This system conserves water, reduces chlorine consumption, and improves customer satisfaction by helping avoid taste and odor, while requiring minimal supervision by utility personnel.

Mueller SYSTEMS Intelligent Water Technology is residential, fire line and commercial meters, AMR / AMI systems, remote disconnect metering (RDM), and related products from Mueller Systems®. It's Mi.Echo™, Mi.Hydrant™, and Mi.Net®. It's our ability to provide utilities with the infrastructure technology needed to optimize operations and ensure the sustainability of our water resources. By building on our expertise in water management, we help water, electric, and gas utilities better manage their operations and energy resources.

echologics Intelligent Water Technology is our ability to accurately detect leaks and assesses the structural condition of water pipes without breaking ground or disrupting service. It's EchoShore™ and ePulse™. It's the Echologics® team who measure how quickly acoustic signals are transmitted along a section of pipe to help water utilities decide where and when to repair and/or replace their aging water infrastructure.

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Our Products

Mueller has built its reputation on producing innovative water distribution products of superior quality – a reputation that is literally "on the line" every day throughout the world. Mueller products and those of its affiliates are used throughout the water system…from the source to the consumer. And we are committed to continuing research and development of new products and services to meet the growing needs of the water infrastructure industry. Mueller is the largest and only full-line supplier of potable water distribution products in North America and its markets continue to expand globally.

Our People

The capacity to deliver the widest array of products and stand behind those products to assure your satisfaction is our strength. The success of Mueller is dependent upon the success of those who are involved, both inside and outside our company. Therefore, we feel our future is wholly dependent on long-term relationships with our employees, customers and suppliers. This is why we strive to be proactive and responsive to their needs, always looking for a "better way". It's an approach that has set us apart since 1857 and will ensure our mutual achievement and prosperity in the future.

For more information about Mueller or to view Mueller's full line of water products, please visit www.muellercompany.com or call Mueller Customer Service at 1.800.423.1323.

Follow Us:

Other Innovative Mueller Products

Hydro-Guard® S.M.A.R.T.™ Flushing System

The Hydro-Guard S.M.A.R.T. Flushing System is the ultimate automated flush management system. S.M.A.R.T. enabled flushing can be set to occur either on a time-based schedule or in response to water quality thresholds. What's more, it allows two-way communication and unit management via secure web portal or interface with the end-user's existing SCADA system. By way of this two-way communication, the utility can receive real-time updates from each Hydro-Guard unit installed in the distribution system equipped with the S.M.A.R.T. controller. Now the end-user can have maximum control over the utility's flushing program whether on-site or at a remote monitoring location.

Mueller Co.
Smart Move™

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Form 12928 - Rev 6/14

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Great Oaks Water Company
GOWC ORA-003-3.8a

Server Estimate:

		Description and Live Links prices as of 08/02/2018		Extended
1	Case	Corsair Obsidian 750D Black Aluminum / Steel ATX Full Tower Computer Case	$ 139.99	$ 139.99
1	Power Supply	EVGA SuperNOVA 850 G3, 220-G3-0850-X1, 80+ GOLD, 850W Fully Modular	$ 159.99	$ 159.99
1	Mother Board	ASUS P9D-E/4L ATX Server Motherboard LGA 1150 DDR3 1600/1333	$ 273.31	$ 273.31
1	CPU	Intel Xeon E3-1270 v5 SkyLake 3.6 GHz 8MB L3 Cache LGA 1151 80W BX80662E31270V5 Server Processor	$ 349.99	$ 349.99
2	Memory	Crucial 16GB (2 x 8GB) 240-Pin DDR3 SDRAM ECC Unbuffered DDR3 1600 (PC3 12800) Server Memory Model CT2KIT102472BD160B	$ 196.45	$ 392.90
1	Raid Card	Adaptec RAID 6805E 2271800-R 6Gb/s SATA/SAS 8 Internal Ports w/ 128MB Cache Memory Controller Card, Kit	$ 482.00	$ 482.00
2	SSD	SAMSUNG 860 Pro Series 2.5" 512GB SATA III 3D NAND Internal Solid State Drive (SSD) MZ-76P512BW	$ 209.99	$ 419.98
1	CD/DVD/BR	Pioneer Black 16X BD-R 2X BD-RE 16X DVD+R 5X DVD-RAM 12X BD-ROM SATA Blu-ray Burner BDR-2209	$ 89.99	$ 89.99
				$ 2,308.15
1	Router	Ubiquiti Networks USG-PRO-4-US Enterprise Gateway Router with Gigabit Ethernet	$ 269.99	$ 269.99
1	Switch	Ubiquiti US-8-US Unifi Switch	$ 99.00	$ 99.00
1	UPS	APC SMT1500RM2UC 1440 VA 1000 Watts 120V 6 Outlets Pure Sinewave Smart-UPS with SmartConnect	$ 656.58	$ 656.58
				$ 1,025.57
1	Application	In House Set up, implementation and application development of Ubuntu Linux Lamp Stack: Linux, Apache, MySQL, PHP and Dojo Toolkit requiring approxiametly 10 to 30 man days	$ 10,000.00	$ 10,000.00
				$ 13,333.72

GOWC ORA-003-3.9a

Metron-Farnier, LLC
Invoice for Cellular Meters

METRON-FARNIER, LLC
Advanced Single-Jet Technology
5665 Airport Blvd., Suite B 105 Boulder, CO 80301
Phone: (303)449-8833 FAX: (303) 449-1464

Invoice

Invoice No.:	Date
22532	06/03/16

Bill To:
Great Oaks Water Co.
Attn: Jared Ajlouny/Dir. of Construction
20 Great Oaks Blvd. Suite 120
San Jose, CA 95119

Ship To:
Great Oaks Water Co.
Attn: Jared Ajlouny/Dir. of Construction
20 Great Oaks Blvd. Suite 120
San Jose, CA 95119

P.O. NUMBER	TERMS	SALES REP	SHIP DATE	SHIP VIA	FOB	W.O. NUMBER
Jared Altouny	Net 30	GLOVER	06/03/16		Origin	16583

Quantity Required	Quantity Shipped	B.O.	Item Number	Description	Unit Price	Amount
2	2		T2-VN-INT	VN Integral antenna unit	192.00	384.00
2	2		T2-I8-UHBAD	Universal Housing Kit for Badger meters M170	0.0000	0.00
2	2		T2-VN-1YRPLA	Verizon 12 Month Service Plan	0.00	0.00
				100's Cubic Feet No Ecode		

Invoice subtotal	384.00
Freight charges	9.97
Sales tax @ 8.75000%	33.60
Invoice total	427.57

meters
JA

Customer is responsible for any taxes that are required on this order outside the state of Colorado

Thank you for your business

1

GREAT OAKS WATER COMPANY
GENERAL ACCOUNT
PO BOX 23490
SAN JOSE, CA 95153

WELLS FARGO BANK, N.A.
www.wellsfargo.com
11-4288/1210

7911

6/21/2016

PAY TO THE ORDER OF Metron-Farnier, LLC $ **427.57

Four Hundred Twenty-Seven and 57/100********** DOLLARS

Metron-Farnier, LLC
5665 Airport Blvd, Ste B
Boulder, CO 80301

MEMO

NOT-NEGOTIABLE

AUTHORIZED SIGNATURE

⑈0000007911⑈ ⑆121042882⑆ 1939408009⑈

GREAT OAKS WATER COMPANY GENERAL ACCOUNT

7911

Metron-Farnier, LLC

Date	Type	Reference	Original Amt.	Balance Due	6/21/2016 Discount	Payment
6/3/2016	Bill	Inv 22532	427.57	427.57		427.57
					Check Amount	427.57

General Checking Acc 427.57

GREAT OAKS WATER COMPANY GENERAL ACCOUNT

7911

Metron-Farnier, LLC

Date	Type	Reference	Original Amt.	Balance Due	6/21/2016 Discount	Payment
6/3/2016	Bill	Inv 22532	427.57	427.57		427.57
					Check Amount	427.57

General Checking Acc 427.57

Rev 2/14

101181

10118/10118 (2/15) 87/4/5

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ATTACHMENT VII-2: GOWC RESPONSE TO DATA REQUEST – 006

GREAT OAKS WATER COMPANY

P. O. BOX 23490
SAN JOSE, CA 95153
(408) 227-9540
tguster@greatoakswater.com

August 14, 2018

Via email to:

Tony Tully, ORA Project Lead
tony.tully@cpuc.ca.gov

Travis Foss, Attorney for ORA
travis.foss@cpuc.ca.gov

Richard Rauschmeier, Program and Project Supervisor, ORA
richard.rauschmeier@cpuc.ca.gov

Daphne Goldberg, ORA Utilities Engineer
Daphne.Goldberg@cpuc.ca.gov

RE: **Great Oaks Water Company Responses to ORA Data Request No. 006 Plant**

Great Oaks Water Company (Great Oaks) hereby provides its responses to ORA Data Request No. 006 Plant.

Responses to Data Request No. 006 Plant

6.1 GOWC Fire Flow Requirement

a. Provide the most recent letter(s) from the local fire department stating the fire flow requirements for the GOWC service area.

Response: The local fire department does not send and/or provide letters stating fire flow requirements for Great Oaks' service area. However, the City of San José and Santa Clara County do publish standards on their respective websites. Below are links to the websites.

City of San José Fire Code:
https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT17BUCO_CH17.12CISAJOFICO

Santa Clara County: http://www.sccfd.org/fire-prevention/standards-specifications

b. Confirm that GOWC currently meets the fire flow requirements by providing all relevant calculations.

Response: Yes. Great Oaks meets the fire flow requirements of the local government agencies. See Great Oaks Water Company's 2015 Urban Water Management Plan that was provided with this Application and marked as Exhibit F. See also Exhibit 8-1 2017 Water Loss Audit (for average system pressure). Note that Great Oaks has proposed a capital project to add system pressure measuring devices throughout the system to obtain more system pressure data that will be useful for many purposes, including measuring pressure for fire flow.

1. Provide references to the GOWC GRC workpapers (worksheets and cell number) that confirm that GOWC meets the current fire flow requirements.

Response: The Exhibit E GRC Workpapers do not provide information about fire flow requirements. See response to 6.1.b., above.

6.2 GOWC EPA Vulnerability Assessment and Office of Emergency Services Response Plan

a. GOWC's GRC Application includes Exhibit 8-2, EPA Vulnerability Assessment and Office of Emergency Services Response Plan. Provide Appendices B through N of the Plan.

Response: Appendices B through N of the Emergency Services Response Plan have not yet been finalized. The primary text of the Plan was provided in Exhibit 8-2. The Appendices are a work-in-progress and will be finalized as soon as time permits.

6.3 GOWC Cross Connection Control Plan

a. GOWC's GRC Application, Exhibit 3-8, includes a September 21, 2016 Sanitary Survey Findings letter which states that Great Oaks Water Company's current cross connection control program policy was adopted on June 16, 1988. Provide this document.

Response: See document GOWC ORA-003-3.1a that was provided in response to ORA Data Request No. 003 Plant.

6.4 GOWC System Chlorination

a. On the July 26, 2018 site visit, a chlorine injection system at well site 23a was observed.

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1. What is the status of this chlorine injection system?

Response: The chlorine injection system at the location of Great Oaks Well 23A is operational, but it is only used for emergency chlorination and is, therefore, not presently in use.

2. Please identify all disinfection facilities in operation.

Response: Emergency chlorination injection systems are located at the following Great Oaks well locations: 2, 8, 22, 23, 23A, and 24. None are presently in use. Great Oaks also has a disinfection facility at its Calero tank location.

3. What, if any, disinfectant residual is currently maintained in the distribution system.

Response: Great Oaks maintains a minimum chlorine residual level of 0.20 mg/L and currently maintains an average of 0.50 mg/L in the Calero Pressure Zone, which is supplied by the Calero tank site chlorination facility.

4. Does GOWC believe the safety of water service is improved by maintaining a disinfectant residual? Please explain answer and provide any necessary support for answer.

Response: Yes. In February 2015, Great Oaks received approval from the State Water Resources Control Board Division of Drinking Water to operate the Calero tank site chlorination facility a precautionary disinfection for the Calero pressure zone.

5. Please provide all relevant information in GOWC's possession pertaining to any decision made by GOWC to maintain or to not maintain a disinfectant residual throughout the distribution system.

Response: With the exception of the Calero pressure zone discussed in the previous response, Great Oaks does not maintain a disinfection residual in its distribution system because Great Oaks is able to provide water that meets all drinking water quality requirements without maintaining a disinfectant residual.

Date: August 14, 2018

/S/

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
Facsimile: (408) 227-7126
Email: tguster@greatoakswater.com

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VERIFICATIONS

I, Mike Carey, am Water Quality Specialist for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 006 Plant and know the contents thereof. I certify that the Responses to questions 6.3 and 6.4, including all subparts, are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 14, 2018.

/S/
Mike Carey

I, Jared Ajlouny, am Vice President of Operations and Director of Construction for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 006 Plant and know the contents thereof. I certify that the Response to question 6.1.a and 6.1.b are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 14, 2018.

/S/
Jared Ajlouny

I, Timothy S. Guster, am Vice President and General Counsel for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 006 Plant and know the contents thereof. I certify that the Response to question 6.1.b.1 and 6.2.a. are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 14, 2018.

/S/
Jared Ajlouny

ATTACHMENT VII-3: GOWC RESPONSE TO DATA REQUEST – 009

GREAT OAKS WATER COMPANY

P. O. BOX 23490
SAN JOSE, CA 95153
(408) 227-9540
tguster@greatoakswater.com

August 26, 2018

Via email to:

Tony Tully, ORA Project Lead
tony.tully@cpuc.ca.gov

Travis Foss, Attorney for ORA
travis.foss@cpuc.ca.gov

Richard Rauschmeier, Program and Project Supervisor, ORA
richard.rauschmeier@cpuc.ca.gov

Daphne Goldberg, ORA Utilities Engineer
daphne.goldberg@cpuc.ca.gov

RE: **Great Oaks Water Company Responses to ORA Data Request No. 009 Plant**

Great Oaks Water Company (Great Oaks) hereby provides its responses to ORA Data Request No. 009 Plant.

Responses to Data Request No. 009 Plant

9.1 Emergency Response Plan

GOWC included the Emergency Response Plan, prepared in 2003, as Exhibit 8-2 in the GRC Application. In the September 21, 2016 Sanitary Survey letter (Exhibit 3-8), DDW refers to a March 17, 2008 Plan. Provide the 2008 Plan.

Response: Great Oaks will provide this requested document under the same confidentiality provisions as those agreed upon between Great Oaks and ORA pertaining to the EPA Vulnerability Assessment, as this document, too, contains confidential information pertaining to health and safety. See GOWC-009-9.1 2008 ERP.

9.2 DDW Sanitary Survey

Provide the date and time of any and all currently scheduled DDW Sanitary Surveys or onsite inspections within the period of August 2018 to December 2018. As continuing in nature, this request also applies to anything scheduled after this DR due date through December 31, 2018.

Response: As of the date of this response, no DDW Sanitary Surveys or onsite inspections are scheduled.

Date: August 26, 2018

/S/

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
Facsimile: (408) 227-7126
Email: tguster@greatoakswater.com

1

VERIFICATIONS

I, Mike Carey, am Water Quality Specialist for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 009 Plant and know the contents thereof. I certify that the Response to Question 9.2. is true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 24, 2018.

/S/
Mike Carey

I, Timothy S. Guster, am Vice President and General Counsel for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 009 Plant and know the contents thereof. I certify that the Responses to Question 9.2 is true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 26, 2018.

/S/
Timothy S. Guster

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ATTACHMENT VII-4: GOWC RESPONSE TO DATA REQUEST – 015

GREAT OAKS WATER COMPANY

P. O. BOX 23490
SAN JOSE, CA 95153
(408) 227-9540
tguster@greatoakswater.com

September 14, 2018

Via email to:

Tony Tully, Cal PA Project Lead
tony.tully@cpuc.ca.gov

Daphne Goldberg, Cal PA Utilities Engineer
Daphne.Goldberg@cpuc.ca.gov

Travis Foss, Attorney for Cal PA
travis.foss@cpuc.ca.gov

Richard Rauschmeier, Program and Project Supervisor, Cal PA
richard.rauschmeier@cpuc.ca.gov

RE: **Great Oaks Water Company Responses to Cal PA Data Request No. 015 Plant**

Great Oaks Water Company (Great Oaks) hereby provides its responses to Cal PA Data Request No. 015 Plant.

Responses to Data Request No. 015 Plant

15.1 GOWC System Disinfection Residual

a. In its September 6, 2018 response to DR-012, Q.12.1, GOWC stated that it "maintains a minimum chlorine residual…in the Calero pressure Zone" as an "exception". Is the Calero Pressure Zone completely separate from (not connected to) the other parts of the GOWC system?

Response: The Calero Pressure Zone is connected (physically) to the rest of the Great Oaks' system, but water from the Calero Pressure Zone cannot travel to any other portion of the Great

Oaks' system due to system pressure and automatic control valves which isolate the water in the Calero Pressure Zone.

b. List all time periods, if any, during which GOWC maintained a disinfection residual in the entire system in the past four years (2013-2017). For each period listed, provide the cost for maintaining the disinfectant residual for each Zone or part of the system. If the cost per Zone is not available, then provide the cost of maintaining the disinfection residual during the applicable period for the whole GOWC system, with the exception of the Calero Pressure Zone.

Response: Great Oaks performed emergency chlorination of the entire system from December 20, 2016 to December 28, 2016 and maintained a disinfection residual during that short time period. The cost for that nine-day chlorination period was approximately $2,500, inclusive of equipment, chemicals, and manpower.

c. What was the annual cost of maintaining a disinfection residual in the Calero Pressure Zone in Years 2013-2017?

Response: Chlorination of the Calero Pressure Zone started in February of 2015. The annual expense is approximately $7,750.

d. Provide an estimate of any additional costs not already reflected in the Test Year revenue requirement for maintaining a permanent disinfectant residual, with the exception of the Calero Pressure Zone. Provide a detailed cost basis for the cost estimate of any additional required disinfection (Plant) equipment, operational changes, and staff training.

Response: No additional costs (other than costs for the Calero Pressure Zone) are included in the Test Year revenue requirement.

e. In response to the DDW citations, GOWC initiated temporary or emergency disinfection of the groundwater. Can the disinfection (Plant) equipment used on these occasions, be used for permanent or continuous disinfection? If not, explain.

Response: Yes. This question only relates to "equipment" and does not include chemicals and manpower.

15.2 GOWC Distribution System

a. In its Exhibit 8-3, Infrastructure and Facilities Master Plan SP2015, "Six to Ten Year Plan", GOWC stated, "No water main or transmission line replacement are projected over the next ten years." Provide engineering analysis, data, or supporting information for this statement.

Response: The rationale for this statement is provided in the text of the Infrastructure and Facilities Master Plan. See, e.g., pages 4-7 of Exhibit 8-3.

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Date: September 14, 2018

/S/

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
Facsimile: (408) 227-7126
Email: tguster@greatoakswater.com

VERIFICATIONS

I, Mike Carey, am Water Quality Specialist for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to Cal PA Data Request No. 015 Plant and know the contents thereof. I certify that the Responses to 15.1, including all subparts, are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on September 14, 2018.

/S/
Mike Carey

I, Jared Ajlouny, am Vice President, Operations and Director of Construction for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to Cal PA Data Request No. 015 Plant and know the contents thereof. I certify that the Response to 15.2.a. is true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on September 14, 2018.

/S/
Jared Ajlouny

CHAPTER VIII: TAXES OTHER THAN INCOME

A. INTRODUCTION

This chapter presents the Public Advocates Office at the California Public Utilities Commission analysis of and recommendations for Taxes Other Than Income for Great Oaks Water Company's (GOWC) General Rate Case (GRC) Application (A.)18-07-002. GOWC's requests Taxes Other Than Income for Ad Valorem taxes (property taxes) and Payroll Taxes. The Public Advocates Office reviewed and analyzed GOWC's Application, testimony, workpapers, and responses to data requests to determine the reasonableness of the requested Ad Valorem taxes and Payroll Taxes.

B. SUMMARY OF RECOMMENDATIONS

The Commission should adopt Taxes Other Than Income amounts totaling $454,573 for TY 2019/2020. The Public Advocates Office follows the same methodology in calculating Taxes Other Than Income amounts for TY 2019/2020 as GOWC. The differences in GOWC proposed and the Public Advocates Office recommended amounts of Taxes Other Than Income amounts are due to the differences in utility plant and payroll amounts.

C. DISCUSSION

1. AD VALOREM TAXES

The Public Advocates Office does not oppose GOWC's methodology for projecting Ad Valorem Taxes (property tax). For this GRC, the Commission should adopt estimates that reflect updated Utility Plant In Service amounts provided by GOWC and incorporated in the Public Advocates Office's recommendation.

2. PAYROLL TAXES

While the Public Advocates Office does not oppose GOWC's methodology for projecting Payroll Tax, the Commission should adopt estimates that reflect the Public Advocates Office's proposed payroll amounts.[297]

Payroll Taxes consist of Federal Insurance Contribution Act (FICA) taxes, Federal Unemployment Tax Act (FUTA) taxes, which are also called Federal Unemployment Insurance (FUI) taxes, and State Unemployment Insurance (SUI) taxes. FICA taxes include two separate components: Old Age, Survivors, and Disability Insurance Tax (OASDI Tax, also known as "Social Security Tax") and Hospital Insurance Tax, also known as "Medicare Tax." FUI and SUI rates are subject to wage caps and are applicable on the first $7,000 of an employee's wage. The FICA Social Security tax rate is also subject to a wage base limit.[298] The Medicare tax rate is applied to total wages.

a) FICA Taxes

The Public Advocates Office does not oppose GOWC's methodology for projecting FICA Taxes. For 2018, the FICA Social Security tax rate is 6.2% of gross earnings with maximum taxable earnings of $128,400. The FICA-Medicare tax rate is 1.45% of gross earnings without a wage base limit.[299] GOWC calculates Social Security and Medicare taxes separately for each employee position based on projected salaries/wages and respective tax rates with wage caps, wherever applicable.[300]

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[297] See Chapter 4 Expenses for Public Advocates Office's payroll recommendation.

[298] As per Social Security Administration, FICA Social Security rate for 2018 is 6.2 percent of gross earnings with maximum taxable earnings of $128,400. (Fact sheet downloaded from https://www.ssa.gov/policy/docs/quickfacts/prog_highlights/index.html on 05/08/2018.)

[299] Fact sheet downloaded from https://www.ssa.gov/policy/docs/quickfacts/prog_highlights/index.html on 05/08/2018

[300] A.18-07-002, GOWC Work paper "Exhibit E GRC Workpapers.xls", at tab: WP15 - ER Payroll Taxes

b) FUI and SUI Taxes

The Public Advocates Office does not oppose GOWC's proposed methodology for FUI and SUI Tax projections for TY 2019/2020. GOWC applies a 0.6% FUI rate and 3.8% SUI rate to the first $7,000 of an employee's wages in estimating total FUI and SUI tax amounts in the current GRC.[301]

D. CONCLUSION

The Commission should adopt the Public Advocates Office's estimated Ad Valorem tax and Payroll Tax amounts for TY 2019/2020 as shown in the Table 5-1, presented in the Appendix A of this report.

[301] See for details: A.18-07-002, GOWC Work paper "Exhibit E GRC Workpapers.xls", at tab: WP15 - ER Payroll Taxes.

CHAPTER IX: INCOME TAXES

A. INTRODUCTION

This chapter presents the Public Advocates Office analysis and recommendations regarding Great Oaks Water Company (GOWC)'s income tax expenses for TY 2019/2020. For ratemaking purposes, Income Tax expenses consist of Federal Income Tax (FIT) and California State Income Tax, also referred to as the California Corporate Franchise Tax (CCFT). The Public Advocates Office reviewed and analyzed GOWC's Application, testimony, workpapers, and GOWC's responses to data requests to determine the FIT and CCFT amounts for TY 2019/2020.

B. SUMMARY OF RECOMMENDATIONS

- The Commission should deduct the 2018/2019 adopted CCFT amount in calculating FIT amount for TY 2019/2020. This results in GOWC's proposed revenue requirements being reduced by $49,593.
- The Commission should utilize weighted average interest rate 1.95% to calculate the rate making interest tax deduction for CCFT and FIT amounts calculation.[302] This adjustment adds approximately $19,778 to GOWC's proposed revenue requirements.

C. DISCUSSION

Income tax totals, for ratemaking, are a direct function of existing federal and state tax laws and regulatory tax policy as determined in prior Commission decisions. The Commission's Order Instituting Investigation 24 (OII 24), D.84-05-036, established much of the Commission's existing tax policy for California utilities. Numerous

[302] GOWC and Public Advocates Office have agreed to adopt 30% debt ratio with 6.5% debt cost for the COC proceeding A.18-05-001 and have submitted a joint motion to adopt the settlement. As of 10/22/2018, the Commission has not issued its decision.

subsequent decisions have adopted a variety of changes in ratemaking tax policy in order to comply with changes in federal and state tax laws.[303]

1. INCOME TAX RATE

a) The Commission should utilize a California State Income Tax Rate of 8.84% in Calculating CCFT expense amounts

Both the Public Advocates Office and GOWC use a tax rate of 8.84% to calculate the CCFT. The differences in estimates of state income taxes are due to the differences in estimates for revenues, expenses, and Rate Base.

b) The Commission should utilize a Federal Income Tax Rate of 21% to calculate FIT expense and Deferred Federal Income Tax amounts

Both the Public Advocates Office and GOWC use a tax rate of 21% to calculate the federal income taxes. Differences in TY 2019/2020 estimates for federal tax amounts between the Public Advocates Office and GOWC are due to the differences in estimates for revenues, expenses, and rate base, and the CCFT deduction.

2. THE COMMISSION SHOULD DEDUCT PRIOR YEAR CCFT AMOUNT OF $382,975, ADOPTED FOR 2018/2019 THROUGH GOWC'S AL 271-W, TO CALCULATE TY 2019/2020 FIT EXPENSE

The Commission should deduct prior year adopted CCFT amount of 382,975 to estimate GOWC's FIT expense for TY 2019/2020.

The Internal Revenue Service (IRS) allows GOWC to deduct CCFT expenses when calculating its FIT expense.[304] However, federal tax laws and IRS regulations

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[303] D.87-09-026, D.87-12-028, and D.88-01-061 addressed the provisions of the Tax Reform Act of 1986.

[304] §164(a) of the Internal Revenue Code (IRC) allows a deduction for certain taxes paid or accrued during the taxable year including state franchise taxes imposed on corporations.

mandate that a given year's CCFT expense is not available as a deduction for FIT until the following year.[305] According to IRS regulations, a taxpayer that uses an accrual method of accounting incurs a liability for California franchise taxes in the taxable year following the taxable year in which the tax is incurred.[306] Thus, according to the IRS, the amount of the deduction should be based on the CCFT amount incurred in the year before the test year, not the CCFT amount of the test year.

Further, Commission D.89-11-058 makes clear that the *prior year's adopted* CCFT amount should be deducted in the calculation of test year FIT.[307] Since D.89-11-058, the Commission has maintained the policy of deducting the adopted amount of CCFT for the prior year when forecasting the test year FIT expense. Furthermore, Commission D.17-06-008 affirmed test year FIT expense should be calculated using the adopted prior-year CCFT amounts as a deduction.[308]

In its Application, however, GOWC proposes to deduct its 2019/2020 *estimated* CCFT amount of $146,816 to calculate its proposed FIT expense for TY 2019/2020.[309] GOWC's method is unreasonable because it does not comply with federal tax laws and Commission orders established in D.89-11-058 and D.17-06-008.

GOWC's methodology is also detrimental to ratepayers. GOWC's methodology of deducting an *estimated* CCFT amount is unfair to ratepayers because ratepayers are not getting the full benefit of their prior-year contributed amount of CCFT in TY 2019/2020. The Commission adopted $382,975 of CCFT for 2018/2019.[310] However, GOWC proposes a CCFT deduction of $146,816 for TY 2019/2020. In addition to being in conflict with federal tax law and established Commission policy and precedent, GOWC's

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[305] IRC §461(d) and IRS Rev. Rul. 79-410.

[306] IRC §461(d) and IRS Rev. Rul. 2003-90.

[307] D.89-11-058, p. 10. Conclusion of Law 1

[308] D.17-06-008, Discussion Section, page 38.

[309] A.18-07-002, GOWC Work paper "Exhibit E GRC Workpapers.xls", at tab: WP43 - TY 2019-2020 Taxes.

[310] The Commission adopted CCFT amount of $382,975 for 2018/2019 through Advice Letter ("AL") 271-W. See Summary of Revenues and Expenses provided as Exhibit B – Workpapers in AL 271-W.

proposed methodology results in $236,159 less in deductions in calculating FIT amount for TY 2019/2020, thereby increasing FIT expense by $49,593 for ratemaking purposes.

3. THE COMMISSION SHOULD USE 1.95% WEIGHTED AVERAGE INTEREST RATE FOR GOWC TO CALCULATE RATE MAKING INTEREST AMOUNT THAT IS UTILIZED IN CALCULATING CCFT AND FIT AMOUNTS.

The Public Advocates Office does not oppose GOWC's methodology for calculating ratemaking interest amounts. The Commission, however, should utilize the recently agreed upon weighted average interest rate of 1.95% (weighted cost of debt) in calculating CCFT and FIT amounts.

GOWC calculates the ratemaking interest expense deduction for CCFT and FIT by multiplying forecasted Weighted Average Rate Base by the authorized weighted cost of debt (2.25%) adopted in D.13-05-027.[311] The Public Advocates Office follows the same methodology as GOWC follows, but uses an updated weighted cost of debt of 1.95%, as agreed upon in the recently submitted settlement in the Cost of Capital proceeding A.18-05-001. This adjustment adds $19,778 to GOWC's proposed revenue requirements.[312] All other differences between the Public Advocates Office and GOWC's forecasted amount of interest expense for tax calculations are the result of different estimates of Rate Base. The Commission should adopt the Public Advocates Office recommended interest expense amount for estimating income tax calculation for the instant proceeding.

D. CONCLUSION

The Commission should adopt the Public Advocates Office's calculated state and federal income tax amounts for TY 2019/2020 as shown in the Table 6-2 of the Appendix A of this report.

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[311] A.18-07-002, GOWC Work paper "Exhibit E GRC Workpapers.xls", at tab: WP43 - TY 2019-2020 Taxes.

[312] $19,778 addition of revenue requirement is estimated on $94,180 of the reduced interest amount deduction for federal income tax purposes.

CHAPTER X: RATE BASE

A. INTRODUCTION

This chapter presents the Public Advocates Office's analysis and recommendations on GOWC's Rate Base for Fiscal Test Year ("TY") 2019/2020 and 2020/2021. GOWC's calculation of Rate Base for 2021/2022 will not be evaluated herein, as the Rate Base for 2021/2022 is a formulaic calculation prescribed by the current Rate Case Plan (RCP).[313] GOWC's Results of Operations model, however, does not reflect the formulaic calculation as required by the RCP. The Public Advocates Office's recommendations of Rate Base for TY 2019/2020 and 2020/2021 are primarily based on GOWC's Application, testimony, workpapers, and analysis of GOWC's responses to data requests.

B. SUMMARY OF RECOMMENDATIONS

The Commission should adopt the following recommendations on Rate Base for TY 2019/2020 and 2020/2021:

- The Commission should order GOWC to record an excess tax reserve amount of $496,617 as a regulatory liability that is deducted from Rate Base and refunded to ratepayers through annual amortization.
- The Commission should order GOWC to refund $14,474 of excess tax reserves each year to ratepayers starting TY 2019/2020.
- The Commission should order GOWC to record $82,416.75 in the Tax Cuts and Jobs Act Memorandum Account, refund the amount in the current GRC period and close the memo account.

[313] The Rate Case Plan states that all rate base items are subject to two test years and an attrition year, consistent with D.04-06-018 (Page A-19). Per footnote 6 on p. 15 of D.04-06-018, "the attrition allowance methodology provides for rate base additions in year 3 by adding the difference between test year 1 and test year 2 rate bases to the test year 2 rate base. Depreciation expense is handled in the same way." GOWC's Results of Operations model, however, does not reflect the formulaic calculation as guided by RCP.

- The Commission should authorize allowance for working cash of $1,070,239 for TY 2019/2020, $1,157,311 for 2020/2021, and order GOWC to calculate working cash amounts based on detailed lead lag study in future GRCs.

Differences between the Public Advocates Office's and GOWC's estimates of Rate Base are primarily the result of differences in estimates of allowance for working cash amounts and Public Advocates Office's recommendations related to excess tax reserve amount.

C. DISCUSSION

GOWC's Rate Base represents the estimated value of GOWC's necessary investments for providing water service. GOWC is permitted to earn its authorized rate of return on authorized Rate Base.[314] GOWC's Rate Base includes the estimated value of used and useful UPIS, Construction Work-In-Progress, an Allowance for Working Cash, deductions for accumulated depreciation reserve, contributions in aid of construction (CIAC), customer advances for construction, and accumulated deferred income tax liability and Deferred Investment Tax Credit.[315]

1. WEIGHTED AVERAGE UTILITY PLANT IN SERVICE

The Public Advocates Office does not oppose GOWC's methodology for calculating weighted average Utility Plant in Service (UPIS). Any differences in weighted average UPIS between the Public Advocates Office and GOWC are the result

[314] GOWC is currently authorized to earn a return of 9.10% which is comprised of 30% debt at a cost of 7.50% and 70% shareholder equity at a cost of 9.79% per Commission Decision ("D.") 13-05-027. In the current Cost of Capital Proceeding A.18-05-001, GOWC and Public Advocates Office have agreed to adopt 8.15% rate of return and have submitted a joint motion to adopt the settlement. As of 10/22/2018, the Commission has not issued its decision.

[315] See A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP31 - Rate Base.

of differences between the updated UPIS amounts provided by GOWC and those originally presented in application workpapers.[316]

2. DEPRECIATION RESERVE AND DEPRECIATION EXPENSE

a) Depreciation Reserve (Accumulated Depreciation)

The Public Advocates Office does not oppose GOWC's methodology for calculating depreciation reserve for TY 2019/2020. Any differences in depreciation reserve between the Public Advocates Office and GOWC are the result of differences in the weighted average utility plant in service. The depreciation reserve is the total of all depreciation expense that has been recognized, to-date, on fixed assets. The depreciation reserve is deducted from Rate Base to prevent GOWC from earning an additional return on funds that have been recovered from ratepayers through depreciation expenses. GOWC estimates a weighted average depreciation reserve amount of $26,395,343 for TY 2019/2020.[317] The weighted average depreciation reserve amount for TY 2019/2020 is calculated by taking a simple average of beginning-year and ending-year amounts.[318] GOWC calculates the ending balance of the depreciation reserve account for 2019/2020 by adding total estimated depreciation amount for 2019/2020 to the beginning balance.[319] Total estimated depreciation amount is the sum of estimated depreciation expense for TY 2019/2020 and the estimated salvage amount.[320]

b) Depreciation Expense

The Public Advocates Office does not oppose GOWC's methodology for calculating depreciation expense for TY 2019/2020. Any differences in depreciation

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[316] See the differences in UPIS amounts between the Public Advocates Office and GOWC in the Table 7-1 "Utility Plant In Service" presented in Appendix A of this Report.
[317] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP21 - Deprec Resrv Bal Sumry.
[318] *Ibid.*
[319] *Ibid.*
[320] *Ibid.*

expense between the Public Advocates Office and GOWC are the result of differences in weighted average utility plant in service.[321]

For ratemaking purposes, GOWC includes depreciation expense in the calculation of test year revenue requirement to allow for the recovery of funds provided by investors for the construction or acquisition of tangible assets. GOWC proposes to include depreciation expense of $1,447,193 for TY 2019/2020. The depreciation expense amount for rates is calculated by deducting $160,440 of Contribution in Aid of Construction amortization amount from total estimated depreciation amount of $1,607,633.[322]

GOWC follows a two-step process in order to calculate depreciation amounts for TY 2019/2020. First, GOWC calculates a depreciation rate for each of the asset classes by dividing the net asset balance by the average remaining life of the asset.[323] Second, GOWC calculates depreciation amounts related to each asset class by multiplying the plant balance and the rates determined in the first step.[324] GOWC also calculates the depreciation amount related to the estimated plant additions proposed for TY 2019/2020 by following the same procedure but multiplies with one-half of the depreciation rate consistent with a half-year convention that recognizes a constructed asset is equally likely to be completed (and therefore begin depreciating) in the first half of a year as the second half.[325]

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[321] See the differences in Depreciation Reserve amounts between the Public Advocates Office and GOWC in the Table 8-1 "Depreciation Reserve and Expense" presented in Appendix A of this Report.
[322] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP1 - Summary of Earnings, Line 21, Cell J21.
[323] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP24a - Deprec Factor Determine.
[324] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP24 - Depreciation Calc Detail.
[325] *Ibid.*

3. ACCUMULATED DEFERRED FEDERAL INCOME TAX AND EXCESS TAX RESERVE

For ratemaking purposes, GOWC forecasts depreciation expense using the straight-line book value method in its Application.[326] GOWC accelerates depreciation expense for FIT purposes as permitted under Internal Revenue Code Section 168.[327] The difference between straight-line book depreciation for ratemaking purposes and accelerated depreciation for tax purposes gives rise to a temporary balance in Deferred Federal Income Tax (DFIT).[328] The total of the DFIT over time is called Accumulated Deferred Federal Income Tax (ADFIT). For ratemaking purposes, the ADFIT balance reduces Rate Base because it represents a source of funds available to GOWC provided by ratepayers for anticipated future tax liabilities.

The Tax Cuts and Jobs Act of 2017 (TCJA) lowered the corporate tax rate to 21% from a maximum rate of 35% starting January 1, 2018. Because of the newly enacted TCJA and the provisions of Accounting Standard Codification (ASC) Topic 740 (US GAAP) GOWC is required to revalue/re-measure its ADFIT amount in order to reflect the 21% tax rate. The revaluation of the ADFIT creates an "Excess Tax Reserve" amount.

"Excess Tax Reserve," as defined in the Section 13001(d)(3)(A) of the TCJA, is the difference between the recorded ADFIT and the revalued amount of the ADFIT after a reduction in federal income tax rate.[329]

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[326] *Ibid.*

[327] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP27 - Defrd Tax – Depreciation; line 17.

[328] As per Internal Revenue Code §168(i)(9)(A)(ii), a taxpayer must account for any difference between its federal income tax expense taken into account in computing its rates and the actual federal income tax it pays as a reserve for deferred taxes.

[329] Section 13001(d)(3)(A) of the TCJA defines excess tax reserve as follows:

"(A) EXCESS TAX RESERVE.—the term ''excess tax reserve'' means the excess of—

(i) the reserve for deferred taxes (as described in section 168(i)(9)(A)(ii) of the Internal Revenue Code of 1986) as of the day before the corporate rate reductions provided in the amendments made by this section take effect, over

(ii) the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporate rate reductions provided in this Act were in effect for all prior periods."

a) Accumulated Deferred Income Tax

The Public Advocates Office does not oppose GOWC's methodology for calculating Accumulated Deferred Income Tax (ADIT).

GOWC proposes $2.186 million ADIT amount to be deducted in determining Rate Base for TY 2019/2020.[330] Total ADIT amount consists of $1.769 million of ADFIT amount and $0.334 million of Accumulated Deferred State Income Tax (ADSIT) amount.[331] In estimating total ADIT amount of $2.186 million, GOWC estimates annual addition of ADFIT and ADSIT amounts from 2017/2018 through 2019/2020 and adds those amounts on to the recorded ADFIT and ADSIT amounts from 2016.[332] Additionally, the total ADIT amount for TY 2019/2020 also incorporates GOWC's reduction of ADFIT amount by $542,128 in order to reflect Federal Income Tax Rate reduction to 21% through Tax Cut and Jobs Act.[333] Because of this reduction in the GOWC's Results of Operation (RO) Model, Rate Base has been increased by $542,128. As discussed in the following section, the Rate Base should not be increased until the excess tax reserve amount is refunded to ratepayers.

b) Excess Tax Reserve (Excess Federal Deferred Income Tax)

The Tax Cuts and Jobs Act of 2017 (TCJA)[334] was signed into law on December 22, 2017. The TCJA reduced the corporate FIT rate to 21% from a maximum rate of 35% starting January 1, 2018. The lower tax rate of 21% creates "Excess Tax Reserve" that GOWC should record as a regulatory liability and refund to ratepayers on normalized basis.

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[330] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP31 - Rate Base.
[331] *Ibid.*
[332] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP27 - Defrd Tax - Depreciation.
[333] *Ibid.* at Column H (Cells H25 and H30).
[334] Pub. L. No. 115-97 (Dec. 22, 2017) 131 Stat. 2054.

1) "Excess Tax Reserve" amount should be recorded as a regulatory liability to be refunded to ratepayers

The amount of ADFIT before revaluation/re-measurement was the amount collected from ratepayers in order to pay future Federal Income Tax (FIT). After enactment of TCJA, GOWC is required to pay income taxes starting from 2018 at the lower rate of 21%; hence, GOWC re-measured its ADFIT balance to reflect the newly enacted FIT rate and reduced total ADFIT amount by $542,128.[335] This amount represents a subset of ADFIT, which is no longer owed by GOWC to the IRS, and as such, should be returned to ratepayers through an amortization process. In its workpapers, GOWC reduces total ADFIT amount by calculating excess tax reserve amount which causes to increase Rate Base by the same amount. GOWC, however, does not propose to refund the excess tax reserve amount to ratepayers, nor makes the necessary reduction to Rate Base to account for the excess tax reserve as non-investor-supplied source of funds until such time as the entire excess balance has been amortized and refunded to ratepayers. The Commission should reduce GOWC's proposed Rate Base by $542,128 in TY 2019/2020 as this represents GOWC's initial estimate of excess deferred taxes which it removed from its deferred tax balance for ratemaking purposes.

GOWC later clarified through response to the Public Advocates Office's data request #016 that $542,128 is a projection; the actual excess tax reserve amount is $496,617.02 which is calculated on Exhibit E GRC Workpapers, WP28, lines 202 to 243.[336] The actual excess tax reserve amount determined by GOWC should be recorded as a regulatory liability to be refunded to ratepayers.

The Commission should only allow GOWC's Rate Base to increase by the amount of the excess tax reserve that is refunded to customers over the amortization period as discussed below.

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[335] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP27 - Deferred Tax – Depreciation; Column H (Cells H25 and H30).

[336] GOWC's response to Cal Advocates' Data Request #016, attached as Attachment X-1. See also A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP28 - Defd Inc Tax Exp Calc.

2) "Excess Tax Reserve" amount should be refunded to ratepayers starting in the current GRC

The Excess Tax Reserve amount of $496,617 should be refunded to ratepayers starting in TY 2019/2020.

GOWC does not propose any refund of the excess tax reserve amount to ratepayers in the current GRC even though it calculates an excess tax reserve amount of $496,617 to reflect newly enacted FIT rate. GOWC initially estimated an excess tax reserve of $542,128 and decreased total ADFIT by this amount, thereby, increasing proposed Rate Base by the same amount. The Commission should require GOWC to refund the excess tax reserve by following normalization accounting rules as prescribed by the Internal Revenue Code and require the balance of excess tax reserves to continue to be deducted from Rate Base until fully refunded to ratepayers.

The Commission should require GOWC to refund annually $14,474 of excess tax reserves to ratepayers as a surcredit. This amount is calculated by utilizing GOWC's average asset life of 34.31 years.[337] During the amortization process of refunding the excess tax reserve to ratepayers, GOWC's Rate Base should increase by the same refunded amounts. The Public Advocates Office's recommendation related to this Rate Base adjustment is reflected in its RO Model.[338]

Additionally, The Commission should also order GOWC to promptly inform the Commission, take appropriate action, and true up any differences in the next GRC if either the excess tax reserve amount or the refund period is updated as a result of future federal tax filings.

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[337] GOWC proposes 2.91% average depreciation rate for the current GRC. This suggests that GOWC's assets has average life of 34.31 years (=100/2.91).

[338] Since GOWC's RO model does not contain a location to deduct from Rate Base the excess deferred tax balance as it is amortized, the balance has been added to the accumulated deferred tax balance for ratemaking purposes.

3) The Commission should refund the amounts recorded in 2018 tax act memorandum account in the current GRC period and the memo account should be closed

The Commission approved GOWC's Advice Letter (AL) 267-W allowing GOWC to establish the 2018 Tax Act Memorandum Account (TAMA) to track realized increases and decreases of revenue requirement starting from January 1, 2018 due to the change in tax law. The TAMA account also tracks the change in tax expenses used for ratemaking purposes that results from the TCJA. Per GOWC's AL 267-W requesting the TAMA, the balance is to be disposed of in the next General Rate Case (GRC) or at such other times as ordered by the Commission.[339] Furthermore, additional Commission guidance has indicated that GOWC should adjust rates for the effects of TCJA no later than July 1, 2018.[340] GOWC's current rates approved through Advice Letters 270-W and 271-W adjusted the rates to reflect current federal income tax rate of 21% from July 1, 2018. The rates charged to ratepayers in the period from January through June 2018 included 34% federal tax rate whereas GOWC will required to pay only 21% federal tax rate during this period. GOWC should have recorded the tax savings in the TAMA and refunded to ratepayers in the current GRC period. GOWC does not propose to refund over-collected federal tax amount in the period of January 1st to June 30th, 2018. In fact, GOWC has not recorded any amount in the TAMA as of June 30, 2018[341]

The Public Advocates Office estimates $82,416.75 federal income tax over-collected from ratepayers between January 1, 2018 to June 30, 2018.[342] Since the current GRC resets the rates after implementation of the new tax law, the Commission should

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[339] GOWC Advice Letter 167-W.

[340] Commission's Water Division's May 8, 2018 Letter to all Class-A Water Utilities.

[341] GOWC's response to Public Advocates Office's data request #004, q.4.2. a.

[342] Public Advocates Office estimates $82,416.75 over-collected federal tax amount to record in Tax Cuts and Jobs Act Memorandum Account based on the total federal tax amount of $431,103 approved through GOWC's Advice Letter 260-W and 261-W.

require GOWC to record $82,416.75 in the TAMA, refund the amount to ratepayers in the current GRC period, and close the Tax Act Memorandum Account.

4. CONTRIBUTION IN AID OFCONSTRUCTION AND ADVANCES FOR CONSTRUCTION

GOWC deducts a total of $6,843,297 Contribution In Aid of Construction (CIAC), and Advances for Construction (AFC) amounts in estimating Rate Base for TY 2019/2020.[343] CIAC and AFC items are not funded by GOWC's investor(s) and; therefore, should be deducted from Rate Base. The Public Advocates Office reviewed GOWC's estimated CIAC and AFC for TY 2019/2020 and 2020/2021, including 45-day updated workpapers. The Public Advocates Office incorporates GOWC's revised estimates of CIAC and Advances for Construction amounts for TY 2019 and 2020, as provided in GOWC's 45-day updates.

5. ALLOWANCE FOR WORKING CASH (WORKING CAPITAL)

The Commission should adopt working cash of $1,070,239 for TY 2019/2020, $1,157,311 for 2020/2021, and order GOWC to estimate working cash by using detail lead lag study in the future GRCs.

Allowance for working cash, also called working capital, is an estimate of investor funds necessary to cover the timing difference between cash expenditures and cash collections. For large utilities, the Commission's Standard Practice U-16-W recommends a detailed lead lag analysis to estimate the investor funds necessary to cover the timing difference between cash expenditures and cash collections.[344]

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[343] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP31 - Rate Base (Cell K33)

[344] Chapter 3 of Standard Practice U-16-W.

GOWC estimates $2,729,011of working cash allowance[345] for TY 2019/2020 by utilizing a simplified method that is designed for "small utilities."[346] As a Class A water utility,[347] GOWC's simplified calculation of a working cash allowance is not reasonable and results in overestimated Rate Base and revenue requirements.

Compared with other Class-A water utilities, GOWC's proposed allowance for working cash is disproportionately high relative to its overall Rate Base. For example, GOWC's proposed allowance for working cash is approximately 15% of its proposed total average Rate Base for TY 2019/2020; whereas, the average allowance for working cash of other Class-A water utilities typically ranges between three to seven percent. In the most recent general rate case for San Jose Water Company, the company proposed a working cash allowance that was approximately 3% of its total Rate Base.[348] Similarly, the working cash allowance for California American Water's various ratemaking districts ranged from 1 to 5% of total Rate Base.[349]

GOWC's proposed $2.73 million working cash allowance for TY 2019/2020 is unreasonable for numerous reasons. First, GOWC's simplified calculation implies an average expense lag of four days.[350] [351] This is unreasonably low given the payment terms that most vendors provide.

Despite discovery requests, GOWC was unable to provide adequate expense data to calculate an exact number of expense lag days in the current GRC.[352] For a reasonable proxy, the Public Advocates Office utilizes 29 days of expense lag, equal to SJWC's expense lag, and GOWC's actual revenue lag days of 51.26 to estimate an allowance for

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[345] A.18-07-002, GOWC Exhibit E, Workpaper "Exhibit E GRC Workpapers.xls" at tab: WP32 - Working Cash.
[346] See Chapter 2 of CPUC Water Division Standard Practice U-16-W
[347] With 10,000 or more customers Class A water utilities are the largest investor-owned water utilities under the jurisdiction of the CPUC
[348] See Attachment X-2: Allowance of Working Cash in terms of total Weighted Average Rate Base.
[349] *Ibid.*
[350] "Expense lag" denotes the timing difference between services taken and payment of the services. SP U-16-W at 1-15 states, "Expense lag arises when the utility receives credit for the various costs of rendering services which have been advanced to the utility by its suppliers, employees, and taxing agencies."
[351] See Attachment X-3 for the implied Expense lag day calculation.
[352] See Attachment X-4: GOWC Response to Public Advocates Office's Data Request #011.

working cash in the current GRC. Using this methodology, the Public Advocates Office calculates a reasonable working cash allowance of $1,070,239 for TY 2019/2020 and $1,157,311 for 2020/2021. The use of SJWC data as a proxy is reasonable given both Class A water utilities' bimonthly billing cycle, nearly identical revenue lag days[353] and procurement of services in the same geographical area.

GOWC proposed allowance for working cash amount for TY 2019/2020 is unreasonably high relative to other Class A water utilities and detrimental to ratepayers, The Commission should adopt The Public Advocates Office's recommended allowance for working cash of $1,070,239 for TY 2019/2020 and $1,157,311 for 2020/2021. Furthermore, GOWC should consider calculating working cash allowances using the detailed method for major utilities in future GRCs.

D. CONCLUSION

Differences between GOWC's and The Public Advocates Office's estimated Rate Base are primarily due to the differences in Allowance of Working Cash and Public Advocates Office's recommendations related to excess tax reserve. The Commission should order GOWC to record excess tax reserve amount of $496,617.02 as a regulatory liability and deducted from Rate Base until fully refunded. The Commission should order GOWC to refund annually $14,474 of excess tax reserve to ratepayers starting from TY 2019/2020 and GOWC's Rate Base should be increased by the same refunded amounts. The Commission should order GOWC to refund the amounts recorded in 2018 tax act memorandum account in the current GRC period and close the memo account. The Commission should authorize an allowance for working cash of $1,070,239 for TY 2019/2020 and $1,157,311 for 2020/2021.

ATTACHMENT X-1: GOWC'S RESPONSE TO PUBLIC ADVOCATES OFFICE'S DATA REQUEST #016

[353] GOWC's revenue lag days is 51.26 whereas SJWC's revenue lag is 52.2 days.

GREAT OAKS WATER COMPANY

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October 1, 2018

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RE: **Great Oaks Water Company Responses to Cal PA Data Request No. 016**

Great Oaks Water Company (Great Oaks) hereby provides its responses to Cal PA Data Request No. 016.

Responses to Data Request No. 016 Deferred Income Tax

Refer to Application Exhibit E GRC Workpapers at Tab "WP27 - Defrd Tax - Depreciation" for the following Data Requests:

16.1 Great Oaks calculates negative $542,128 amount of deferred federal tax in FY 2017 at Cell H25. Please explain what the negative amount means?

Response: The negative amount at WP27, cell H25 represents the difference in Federal deferred income taxes at December 31, 2016 vs. December 31, 2017 related to depreciation differences. As mentioned in 16.2, below, this negative amount is due to the reduction in the Federal Income Tax Rate to 21%. See Exhibit E GRC Workpapers, WP 28, lines 202 to 243.

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16.2 Is the negative amount of $542,128 mentioned in question 16.1 the "Excess Tax Reserve" amount, as defined in Section 13001(d)(3)(A) of the Tax Cuts and Jobs Act 2017, the result of the reduction of Federal Income Tax Rate to 21%?

Response: The ($542,128) is a projection. The actual 2017 amount of ($496,617.02) is calculated on Exhibit E GRC Workpapers, WP28, lines 202 to 243.

16.3 If answer to the question 16.2 is other than "Yes", please provide Great Oaks's calculation of "Excess Tax Reserve," as defined in Section 13001(d)(3)(A) of the Tax Cuts and Jobs Act 2017, as a result of the reduction of Federal Income Tax Rate to 21%.

Response: No answer required.

16.4 Has Great Oaks revalued/re-measured its Accumulated Deferred Income Taxes ("ADIT") with the new Federal Income Tax Rate of 21% in 2017 and/or thereafter?

Response: Yes.

16.5 If answer to the question 16.4 is "Yes", provide the revalued/re-measured Accumulated Deferred Income Taxes ("ADIT") amount in MS Excel format, including calculations, assumptions and methods utilized.

Response: See file attached hereto as GOWC Cal PA-016-16.5. See also Exhibit E GRC Workpapers, WP28, rows 202 to 243.

16.6 If answer to the question 16.4 is "No", please explain when the revalued ADIT amount is available?

Response: No answer required.

16.7 Has Great Oaks proposed a refund of the "Excess Tax Reserve" amount to ratepayers in the current proceeding?

Response: No. On December 28, 2017, Great Oaks filed Advice Letter 267-W to establish a Tax Cuts and Jobs Act Memorandum Account. Advice Letter 267-W was approved on January 24, 2018, with an effective date of January 1, 2018. See document attached hereto as GOWC Cal PA-016-16.7. To the extent that there is an amount to refund to ratepayers, that amount will be recorded and appropriately amortized pursuant to the terms of the Tax Cuts and Jobs Act Memorandum Account.

16.8 If answer to question 16.7 is "Yes", please indicate the proposed refund amount in the current GRC workpapers, Exhibit E GRC Workpapers.xls.

Response: No answer required.

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16.9 If answer to the question 16.7 is "No", please explain why Great Oaks is not proposing the refund of "Excess Tax Reserve" amount to ratepayers in the current GRC.

Response: See response to 16.7, above.

16.10 Does Great Oaks have the vintage records of Utility Plants In Service in order to calculate the Excess Tax Reserve amount utilizing the Average Rate Assumption Method (ARAM) defined in Section 13001(d)(3)(A) of the Tax Cuts and Jobs Act 2017?

Response: Yes, Great Oaks has the vintage records if a qualified tax account were to perform those calculations.

Date: October 1, 2018

/S/

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ATTACHMENT X-2: ALLOWANCE OF WORKING CASH IN TERMS OF TOTAL WEIGHTED AVERAGE RATE BASE

	Allowance of Working Cash	Weighted Average Rate Base	% of Allowance of Working Cash	
Great Oaks Water Company GRC A.18-07-002	$2,729	$17,481	15.61%	TY 2019/2020
San Jose Water Company GRC A.18-01-004	$28,277	$835,582	3.38%	TY 2019
California American Water GRC A.16-07-002				
Sacramento District	$5,080	$169,158	3.00%	TY 2018
Monterey County District	$7,034	$150,000	4.69%	TY 2018
Los Angeles County District	$996	$92,035	1.08%	TY 2018
San Diego County District	$1,251	$25,651	4.88%	TY 2018
Note: The amounts are in '1000				
Source: General Rate Case Applications Workpapers				

ATTACHMENT X-3: GREAT OAKS WATER COMPANY'S IMPLIED EXPENSE LAG DAY CALCULATION

Great Oaks Water Company (GOWC) proposed allowance of working cash implies that GOWC is proposing 3.91 days of expense lag. Despite discovery requests, GOWC was unable to provide adequate expense data to calculate an exact number of expense lag days. Hence, Public Advocates Office at California Public Utilities Commission ("Public Advocates Office) utilized the following steps in calculating implied expense lag days of GOWC based on available data in the current GRC, including sales and receivable data received through data response:

1. GOWC provided sales and receivable data from July 2017 to June 2018 in response to Public Advocates Office's data request #011 show that GOWC's average revenue lag from July 2017 to June 2018 is 51.26 days. The revenue lag days is calculated as follows:

	Accounts Receivable Balance Amount $ NOT including unbilled receivables	Average Balance	Number of Day in Month	Total Dollar Day
6/30/2017	860,463			
7/31/2017	1,506,218	1,183,340	31	36,683,540
8/31/2017	1,505,761	1,505,990	31	46,685,690
9/30/2017	1,413,733	1,459,747	30	43,792,410
10/31/2017	965,851	1,189,792	31	36,883,552
11/30/2017	782,230	874,040	30	26,221,200
12/31/2017	833,349	807,789	31	25,041,459
1/31/2018	751,900	792,624	31	24,571,344
2/28/2018	880,202	816,051	28	22,849,428
3/31/2018	825,613	852,907	31	26,440,117
4/30/2018	680,769	753,191	30	22,595,730
5/31/2018	765,044	722,906	31	22,410,086
6/30/2018	981,091	873,067	30	26,192,010
365 Days of Accounts Receivable			(A)	360,366,566

REVENUE LAG DAY COMPUTATION

Total Sales after adjusting net unbilled revenue:	(B)	18,161,781
Average estimable lag days from service to billing	*(C)	31.42

Total Dollar days of unbilled sales	(D) = (B) x (C)	570,582,611
365 Days of Accounts Receivable	From (A)	360,366,566
Total Dollar Days	E = (A) + (D)	930,949,177
Revenue Lag Days - Metered Revenue	(E)/(B)	51.26

* (365 days in a year/6 months/2) + 1 day for billing = average # of days = 31.42

2. GOWC's implied average lead/lag days (excess expense lag days over payment lag days) is 47.35, which is calculated by utilizing Microsoft Excel's GoalSeek function, and GOWC proposed $2.73 million of allowance for working cash and $21.04 million of total expenses for TY 2019/2020.

Total Expense for TY 2019/2020:	$21,038,255.29	
Allowance of Working Cash for TY 2019/2020:	$2,729,010.78	
Average Lead/Lag Days:	47.35	Average lead/lag is calculated by utilizing MS Excel GoalSeek Function

3. The implied expense lag days of 3.91 is calculated by subtracting GOWC's average lead/lag days of from GOWC's actual average revenue lag days of 51.26.

51.26 - 47.35 = 3.91

ATTACHMENT X-4: GOWC'S RESPONSE TO PUBLIC ADVOCATES OFFICE'S DATA REQUEST #011

GREAT OAKS WATER COMPANY

P. O. BOX 23490
SAN JOSE, CA 95153
(408) 227-9540
tguster@greatoakswater.com

September 7, 2018

Via email to:

Tony Tully, Cal PA Project Lead
tony.tully@cpuc.ca.gov

Travis Foss, Attorney for Cal PA
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Mukunda Dawadi, Regulatory Analyst
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RE: **Great Oaks Water Company Responses to Cal PA Data Request No. 011 Billing and Expense Data**

Great Oaks Water Company (Great Oaks) hereby provides its responses to Cal PA Data Request No. 011 Billing and Expense Data.

Responses to Data Request No. 011 Billing and Expense Data

Refer to Application Exhibit E GRC Workpapers at Tab "WP32 – Working Cash" for the following Data Requests:

11.1 Please explain how Great Oaks is calculating Working Cash amount to be included in rate base for the current GRC, along with basis of the calculation. If the methodology is already explained in any of the Great Oaks' testimonies, please provide the references.

Response: See Exhibit E Updated GRC Workpapers, WP32, for the Working Cash calculations.

11.2 Does the Working Cash calculation shown in Tab "WP32 – Working Cash" follow the Simplified Basis of calculation procedures prescribed in Chapter 2 of Standard Practice SP U-16-W?

Response: Yes

11.3 If the answer to question 11.2 is "Yes", which Table of suggested procedures in SP U-16-W is Great Oaks utilizing in its Working Cash calculation (e.g. Table 2-A, B, C)?

Response: Table 2-C

11.4 If the answer to question 11.2 is "No", which guidelines is Great Oaks utilizing in the Working Cash calculation?

Response: Not Applicable

11.5 Has Great Oaks calculated allowance of working cash by following Detailed Basis of calculation prescribed in Chapter 3 of Standard Practice SP U-16-W?

Response: It is believed that the word "prescribed" in this question is an error. The word should be "described," as the Detailed Basis method is not "prescribed" for Great Oaks. The answer to the question is no.

11.6 If the answer to question 11.5 is "Yes", please provide all the workpapers in MS Excel format with formulas intact.

Response: Not Applicable

11.7 If the answer to question 11.5 is "No", please provide following data:

a. Billing and payment data in MS Excel format for all customers from June 1, 2017 to July 31, 2018 in the following format:

Response: Objection. This request seeks to have Great Oaks go through voluminous records to compile information and then perform a series of new calculations that are not relevant to the issue of Great Oaks' Working Cash. The request would require Great Oaks to extract data from every invoice over a period of fourteen months, an exercise that is unnecessary and extremely burdensome. Great Oaks is not large enough to justify a detailed study, and a detailed study would be impractical from a work-time viewpoint. See U-16-W, page 1-3.

As Cal PA knows, Great Oaks has employed its current method of calculating Working Cash in prior general rate cases that Cal PA has reviewed numerous times, as well as in its Annual Reports.

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b. Expense data, including payroll, in MS Excel format from June 1, 2017 to July 31, 2018 for each categories/accounts in the following format:

Response: See objection to 11.7.a., above.

c. Provide monthly sales data in Excel format from June 2017 to July 2018 in the following format:

Response:

Month	Total Sales Amount ($)	Metered Sales Amount ($)	Unmetered Sales Amount ($)
June 2017	1,380,782.84	1,373,765.05	7,017.79
July 2017	1,918,520.51	1,911,494.37	7,026.14
August 2017	1,921,291.17	1,914,332.92	6,958.25
September 2017	1,920,051.71	1,912,920.27	7,131.44
October 2017	1,554,723.39	1,547,558.07	7,165.32
November 2017	1,549,228.40	1,542,083.91	7,144.49
December 2017	1,636,026.67	1,628,581.98	7,444.69
January 2018	1,411,890.31	1,404,385.07	7,505.24
February 2018	1,220,883.24	1,213,609.00	7,274.24
March 2018	1,292,230.07	1,284,955.83	7,274.24
April 2018	1,075,505.05	1,068,230.81	7,274.24
May 2018	1,421,508.79	1,414,229.35	7,279.44
June 2018	1,603,881.27	1,596,607.03	7,279.24
July 2018	2,191,337.32	2,184,063.08	7,274.24

d. Provide Month-End Accounts Receivable balance amounts in Excel format from June 2017 to July 2018 as follows:

Response:

Date	Accounts Receivable Balance Amount $ (including unbilled receivables)	Accounts Receivable Balance Amount $ (not including unbilled receivables)
6/30/2017	1,850,474.70	860,463.05
7/31/2017	2,496,229.54	1,506,217.89
8/31/2017	2,495,772.85	1,505,761.20
9/30/2017	2,403,745.04	1,413,733.39
10/31/2017	1,955,862.42	965,850.77
11/30/2017	1,772,241.81	782,230.16
12/31/2017	2,187,320.20	833,348.70
1/31/2018	2,105,871.39	751,899.89
2/28/2018	2,234,173.05	880,201.55
3/31/2018	2,179,584.38	825,612.88
4/30/2018	2,034,740.41	680,768.91
5/31/2018	2,119,015.01	765,043.51
6/30/2018	2,335,062.10	981,090.60
7/31/2018	2,827,484.72	1,473,513.23

e. Amount of unbilled Revenue as of 6/30/2018.

Response: $1,353,971.50

f. Amount of total uncollectibles in CY 2017/2018.

Response: $26,227.76 – net total uncollectibles.

Objections to Cal PA-011 have been made by the undersigned counsel of record.

Date: September 7, 2018

/S/

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
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VERIFICATIONS

I, Ron Ceolla, am Chief Financial Officer for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to Cal PA Data Request No. 011 Expenses and know the contents thereof. I certify that the Responses to are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on September 7, 2018.

/S/

Ron Ceolla

CHAPTER XI: BALANCING AND MEMORANDUM ACCOUNTS

A. INTRODUCTION

GOWC application requests continuation of its existing balancing and memorandum accounts, with four special requests listed below:

- GOWC requests authorization to modify terms and conditions to its Pension Expense Balancing Account (PEBA) "so that amounts the Company is required to pay upon the retirement or change in employment status of an employee are fully considered and properly reflected in costs."[354]
- GOWC requests "to amortize the balance in its Conservation Lost Revenue and Expense Memorandum Account (Conservation Memo Account) by offsetting the balance with excess usage surcharges levied and collected under Great Oaks' authorized tariff Schedule No. 14.1." [355]
- GOWC requests to amortize Contamination Proceeds Memorandum account with 100% net proceeds to be apportioned to shareholders. [356] The Public Advocates Office addresses this request in Chapter XII: Contamination Proceeds Memorandum Account of this report.
- GOWC requests to open a new balancing account to track expenses of its proposed credit card pilot program.

[354] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operating" under "Chapter 5 Operating expenses" refer point d. in page 27
[355] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operating" under "Chapter 6 Revenue Requirement- Water sales and production" refer point B.4 in page-2
[356] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operating" under "Chapter 3 Company Operations and Basic Information" refer point IV.B in page 14

B. SUMMARY OF RECOMMENDATION

- The Commission should not approve modifications to the operable language of GOWC's PEBA since GOWC did not provide proposed new language in the application nor through discovery.
- Conservation Lost Revenue Memorandum Account –
  - The Commission should adopt the balance of this account at $2,576,064 as of February 28, 2018. This amount is the reconciliated balance of two different versions of workpapers provided by GOWC in 2015 general rate case (GRC) and the current GRC.
  - The Commission should adopt the remaining balance net of excess usage surcharges at $815,651 and refund this balance to the ratepayers.
  - The Commission should close the Conservation Lost Revenue Memorandum Account since the drought emergency which was the justification for its creation is no longer applicable.
- New Credit Card Pilot Program Memorandum Account –
  - The Commission should approve a Memorandum account instead of GOWC's requested balancing account. This memorandum account should track all related costs and be credited with $51,976 annually which is the amount included in revenue requirements for this program.
  - The Commission should also close the existing "Credit/Debit Card Cost and savings Memorandum Account" approved under Resolution W-4979. This account has not tracked any revenues or expenses and has been inactive since January 2016.

C. DISCUSSION

1. PENSION EXPENSE BALANCING ACCOUNT (PEBA)

Commission D.16-05-041, authorized GOWC to open a pension expense balancing account (PEBA) beginning July 1, 2016. This account allows GOWC to track the difference between expenses made for SFAS 87[357] and those forecasted in the revenue requirement. The balance of PEBA as on June 30, 2018 was $3,489.03; reflecting a greater forecasted amount than incurred.

In the current GRC proceeding, GOWC requests to modify the terms and conditions of the PEBA "so that amounts the Company is required to pay upon the retirement or change in employment status of an employee are fully considered and properly reflected in costs."[358] However, GOWC has not provided the actual terms and conditions that it proposes to change.

In response to discovery seeking detail on the terms and conditions proposed to be modified, GOWC indicated that it "is requesting to include any additional contributions it is required to make to the Pension Plan in the event of a lump-sum distribution to a retiring highly-compensated employee, as in such event, the Plan is required to be funded at 110% after the lump-sum distribution."[359]

A second discovery request was made for the specific changes GOWC proposed to the governing language contained in its tariffs' preliminary statements. In its response, GOWC referenced it previous response without providing any specific language to be added or modified.[360]

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[357] Attachment XI-1: "GOWC preliminary statement" – PEBA. SFAS 87 Expenses are the accounting expense amount determined by guidance from the Financial Accounting Standards Board (FASB) and are also known as the "Net Periodic Benefit Cost." This is the definition under GOWC's preliminary statement of PEBA.
[358] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operating" under "Chapter 5 Operating expenses" refer point d. in page 27.
[359] Attachment XI-2: "GOWC Response to ORA-010" - 10.17.b.
[360] Attachment XI-2: "GOWC Response to ORA-010", - 10.17.b.

Without knowing the actual "modification of terms and conditions" to the PEBA preliminary statement, there is no clarity on the effect of the changes to the ratepayers or how balances will be calculated in the future. The PEBA is a balancing account, where GOWC already has an opportunity to track the difference between pension expenses incurred and the amount forecasted in revenue requirements. Therefore, it is unclear why any modification to the "terms and conditions" is necessary.

The Commission should not adopt modifications to the "terms and conditions" as requested by GOWC.

2. CONSERVATION LOST REVENUE MEMORANDUM ACCOUNT

GOWC established its Conservation Lost Revenue Memorandum Account through Commission Resolution W-4976, following the Governor's declaration of State of California drought emergency on January 17, 2014.[361] On April 7, 2017, the Governor issued Executive Order B-40-17 lifting the drought emergency throughout California.

The Public Advocates Office protested GOWC's Advice Letter AL-272-W and recommended that it be reviewed in the current GRC proceeding. In its application, GOWC requests full review of the relief requested in AL-272-W.[362]

a) Account Balance

In the 45-day update to its current GRC Application, GOWC provided a revised account balance of $2,705,754.79 as of February 28, 2018.[363] After making the required

[361] Attachment XI-3: "GOWC preliminary statement" - Conservation Lost Revenue and Expenses Memorandum Account.
[362] GOWC GRC Application A1807002 – "Exhibit –D Report on Results of Operation" under "Chapter 6 –Revenue Requirement- Water Sales and Production," refer point I.B.4 (pages: 2 and 3).
[363] GOWC GRC Application A1807002 – 45-day update - "UPDATED CHAPTER 6 Revenue Requirement – Water Sales and Production", under page: 5.

Return on Equity (ROE) reduction of $81,500,[364] GOWC requests the balance of $2,624,254.79[365] to be offset with excess usage surcharges collected through Commission Resolution W-4976.[366]

Several anomalies exist in this account. First, the 2016 ending balance does not match the 2017 beginning balance reported by GOWC in its 2017 annual report to the Commission.[367] Second, GOWC's workpapers in this GRC show different balances compared to workpapers presented to the Commission in the previous general rate case.[368] The adopted and recorded revenue for year 2014 does not match in the workpapers GOWC presented for the current and previous general rate case. Table XI-1 below summarizes GOWC's recorded year 2014 data presented in the current and previous general rate cases.

Table XI-1: Comparison of Conservation Lost Revenue Memorandum Account Balances for March 2014

Description	2015 GRC[369]	2018 GRC[370]	Difference
2014 Adopted Revenue	$195,398	$737,653	$542,255
2014 Recorded Revenue	$214,967	$860,685	$645,718
Difference	**$19,569**	**$123,032**	**$103,463**

In discovery, GOWC was asked to clarify why the 2016 end-of-year balance did not match the 2017 beginning-of-year balance in its annual report. GOWC explained that the "likely" difference in the balances was because in 2016 the amount was based

[364] GOWC GRC Application A1807002 – 45-day update - "UPDATED CHAPTER 6 Revenue Requirement – Water Sales and Production", under page: 5.
[365] GOWC GRC Application A1807002 – 45-day update - "UPDATED CHAPTER 6 Revenue Requirement – Water Sales and Production", under page: 5.
[366] GOWC GRC Application A1807002 – 45-day update - "Updated Exhibit 6-2"
[367] Attachment XI-4: "2016 Annual Report and 2017 Annual Report" – Schedule E-1
[368]GOWC GRC Application number: A1507001 - document titled "GOWC Response to MC8-001(1)", under tab: "2-A-24 RC Conservation Memo." A copy of this document is available upon request.
[369] GOWC GRC Application A1507001 – document titled "GOWC Response to MC8-001(1)", refer tab: "2-A-24 RC Conservation Memo", in cells: B44, C44, D44. A copy of this document is available upon request.
[370] GOWC GRC Application A1807002 – 45-day update – document titled "Updated Exhibit 6-2," refer tab: "Conservation Memo Acct", in cells: B21, C21, D21.

"solely" on billing cycles and for 2017 the reporting was based on a more "detailed analysis using adopted revenues and adopted expenses correlating to each month" which as per GOWC results in a "more accurate recording."[371]

When asked in the same discovery request to explain the difference between the recorded data for 2014 presented in the current proceeding's workpapers and the workpapers of its previous general rate case, GOWC responded to "See" the response explained in the above paragraph.[372]

Since the account balance presented in this current GRC is not "solely" based on billing cycles, the Public Advocates Office makes an adjustment in the workpaper to replace the calculated revenues and expenses provided in current GRC workpapers[373] with the actual recorded expenses and revenues based on billing cycles provided in 2015 GRC workpapers[374] from March 2014 to February 2015. This results in a more accurate account balance based on the billing cycles.

After the above adjustment[375] to this account, the balance is $2,657,564 as of February 28, 2018. After reducing the ROE amount of $81,500, the available balance for amortization is $2,576,054. This balance is about $48,190 less than GOWC's calculation.

b) Offset of Conservation Lost Revenue Memorandum Account Balance with Excess Usage Surcharges

GOWC proposes to offset its calculated balance of $2,624,254 with excess usage surcharges totaling $3,391,715 as of January 26, 2017 and retain the remaining balance of

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[371] Attachment XI-5: "GOWC Response to Cal PA 019" - 19.2.b.
[372] Attachment XI-6: "GOWC Response to Cal PA 019" - 19.2.e, also refer Attachment XI-5.
[373] GOWC GRC application A1807002 - 45-day update- "Exhibit D Report on results of Operation" under "Updated Chapter 6" – please refer document titled "Exhibit 6-2."
[374] 2015 GRC Application number: A1507001
[375] Workpaper XI-1: "Conservation Lost Revenue Memorandum Account" – The Public Advocates Office's calculations. Please refer to this attachment for detailed account balance calculations. To summarize the adjustments made, the Public Advocates Office replaces the account balances from March 2014 to February 2015 provided in 2018 GRC workpapers with the account balances provided for the same period (March 2014 to February 2015) in the 2015 (previous) GRC proceeding. This adjustment is made to reflect a more accurate presentation of the recorded balances based on "billing cycles."

$767,460.[376] Table XI-2 below illustrates GOWC's calculation and the Public Advocates Office's recommendation on the calculated balance.

Table XI-2: Comparison of the Calculation of the Remaining Balance of Excess Usage Surcharge as of January 26, 2017

	Item	GOWC's Calculation	Public Advocate Office's Calculation[377]
(a)	Excess Usage Surcharge as of January 26, 2017	$3,391,715	$3,391,715
(b)	Conservation Lost Revenue and Expenses Balance as of February 28, 2018	$2,705,754	$2,657,564
(c)	ROE Adjustment	$81,500	$81,500
(d)	Amortizable Balance of Conservation Lost Revenue and Expenses Balance as of February 28, 2018 (b-c)	$2,624,254	$2,576,064
(e)	**Remaining balance of Excess Usage Surcharge as of January 26, 2017 (a-d)**	**$767,460**	**$815,650**

Rather than refunding the over collected amount to ratepayers, GOWC proposes to keep the remaining balance for "future disposition."[378] The Commission should adopt a balance amount of $815,650 as shown above and order GOWC to refund this amount to ratepayers in this proceeding.

c) Closure of Conservation Lost Revenue Memorandum Account

GOWC established this account based on the Commission Resolution W-4976 following the Governor's Executive Order proclaiming a State of California Drought

[376] GOWC provides recorded transactions of 'excess usage surcharge' as response to DR 019 Expenses, 19.2.d.(i) under document titled "GOWC Cal PA-019-19.2.d(i)", refer tab "sheet 1" in cell: H94. A copy of this document is available upon request.
[377] Workpaper XI-1: "Conservation Lost revenue Memorandum Account" – the Public Advocates Office's calculations
[378] Attachment XI-7: "AL 272-W," offset of conservation Lost Revenues and Expenses with Excess Usage Surcharge
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Emergency. The authority provided by Resolution W-2976 for this memorandum account was clear that an account to track revenue shortfalls and additional conservation measures was appropriate "pursuant to declared drought emergency." [379]

In advice letter 272-W, GOWC explained that the Santa Clara Valley Water District (SCVWD) continues to call for 20% water use reduction to preserve local water supplies and therefore mandatory conservation measures under Schedule No. 14.1 stage 1 tariff remain in effect. In response to discovery, GOWC provided a notice from SCVWD which indicates that 20% water use reduction is a "target." [380] Nowhere in the SCVWD notice does it state that water utilities must maintain the mandatory measures that were adopted during the drought emergency.

Furthermore, in a newsletter published on January 25, 2017, SCVWD asserts that "by dropping the 'mandatory' language now, the board expects that local water providers will not use drought surcharges or penalties to motivate customers to meet the 20 percent goal."[381] The day after the SCVWD newsletter was published, GOWC discontinued assessing drought surcharges on its customers.[382] On April 7, 2017, the Governor issued an Executive Order ending the drought emergency.[383]

Since GOWC has discontinued the use of drought surcharges and the drought emergency has ended, the Commission should require GOWC to close the account and return the net balance of $815,650 to ratepayers.

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[379] Please refer to Commission Resolution W-4976, page 11.
[380] Attachment XI-8: Please refer to "SCVWD Resolution 17-08," provided by GOWC in response to Cal PA's DR 019, for 19.2.c, This document from SCVWD shows that it calls for a 20 percent water use reduction 'target.'
[381] SCVWD's newsletter named "Water board continues water reduction target" issued on January 25, 2017. Link: https://www.valleywater.org/news-events/news-releases/water-board-continues-water-reduction-target A copy of this document is available upon request.
[382] Attachment XI-9: "AL 272-W," GOWC discontinued drought allocations and excess usage surcharge.
[383] Executive Order B-40-17 lifted the drought emergency in California counties except Fresno, Kings, Tulare and Tuolumne, where emergency drinking water projects continue to address diminished groundwater supplies.

3. CREDIT CARD PROCESSING BALANCING ACCOUNT

The Commission should deny GOWC's request for a new balancing account to track credit card processing costs and authorize a Credit Card Pilot Program Memorandum Account

GOWC requests a new balancing account to record the expenses of the proposed credit card pilot program. GOWC states that estimating the expenses of credit card processing is "an inexact science"[384] and having a balancing account would allow tracking of expenses. GOWC estimated credit card pilot program at $51,976 for Test Year (TY) 2019/2020 and both GOWC and the Public Advocates Office has included this amount in revenue requirements[385]

Instead of a balancing account, the Commission should authorize a memorandum account. A memorandum account would allow for the tracking of all expenses related to the credit card "pilot" program and would provide detailed recordings that can be audited in the subsequent GRC proceeding.[386]

The Public Advocates Office does not oppose GOWC's request for a credit card pilot program nor the forecasted expenses of $51,976. However, the Commission should require GOWC to record a credit of $51,976 annually to reflect the amount that is included in revenue requirement.

4. LOW-INCOME CUSTOMER ASSISTANCE PROGRAM (LICAP) ACCOUNTS

In its 2017 Annual Report submitted to the Commission, GOWC references three LICAP accounts. The three accounts are discussed below:

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[384] GOWC GRC Application A1807002– "Exhibit D Report on Results of Operation" under "chapter 5 Operating Expenses", refer point 26, in 29

[385] GOWC GRC Application A1807002 – "Exhibit D Report on Results of Operation" under "chapter 5 Operating Expenses", refer point 31, in 30

[386] Under the Commission decision D.05-05-015, of San Gabriel Water Company, the Commission established a memorandum account instead of a balancing account for improved auditing capability.

a) Low Income Lost Revenue (LICAP) Memorandum Account

GOWC established this account under resolution W-4594 in 2006. GOWC was authorized to amortize this account twice before, once in 2014 through Advice Letter 234-W for a balance of $124,221 and in 2015 through Advice Letter 244-W-B for a balance of $243,219. Both balances reflected uncollected revenues and were authorized recovery via surcharges. The account balance as of June 30, 2018 reflected an under collection of $301,099.[387]

In the previous general rate case, GOWC was authorized to amortize the account balance as of June 30, 2016 and agreed to close this memorandum account.[388] However, GOWC did not amortize the account and did not close the account. In its 45-day update to the instant application, GOWC requested authorization to amortize the balance in the current proceeding.[389]

In discovery, GOWC was asked to provide preliminary statements for all balancing and memorandum accounts. In the attachment provided in GOWC's response, the preliminary statement for this account was missing.[390]

In response to additional discovery,[391] GOWC provided work papers showing recorded revenues and expenses for this account. As per the previous agreement, GOWC stopped booking LICAP revenues and expenses to this account on July 1, 2016 but did not file an Advice letter to amortize the balance and close the account as agreed in its previous GRC settlement.[392]

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[387] Attachment XI-10: "GOWC Response to Cal PA-019" - 17.1.c
[388] GOWC's 2015 GRC – under the Commission decision D.16-05-041, refer point 6 in page: 15.
[389] GOWC GRC Application A1807002 – 45-day Update - "Exhibit D Report on Results of Operations" under "Updated CHAPTER 5 Operating expenses", refer Point 6 in page 31
[390] In response to DR 010, 10.16, GOWC provided preliminary statement under document titled "GOWC ORA-010-10.16." The preliminary statement for "Low Income Lost Revenue Memorandum Account" was missing.
[391] GOWC provided detailed workpaper for "Low Income Lost Revenue Memorandum Account" as a response to Cal PA's DR 017, Q.17.1.d, under document titled "GOWC Cal PA 017-17.1. d", refer Tab: "2-A-12 Low Income". A copy of this document is available upon request.
[392] GOWC's 2015 GRC- under the Commission decision D.16-05-041, refer point 6 in page: 15.

Since GOWC failed to file for amortization, the Commission should disallow any interest charges accrued since July 1, 2016. The Commission should also require GOWC to develop and implement a preliminary statement to be included in its tariffs explaining the purpose of this memorandum account and how entries are to be calculated.

b) Low Income Customer Assistance Program (LICAP) Surcharge Account

GOWC was authorized to establish this balancing account to replace the LICAP memorandum account discussed above.[393] The account balance as of June 30, 2018 reflected an under collection of $107,778.[394] In its 45-day update to its instant application, GOWC makes a new proposal to amortize the balance in this account.[395]

In response to a discovery, GOWC provided the detailed work paper showing recorded revenues and expenses since July 2016. [396] Having reviewed the transactions recorded, the Public Advocates Office does not object to amortization of the balance.

c) Low Income Customer Assistance Program – 09/03/13 to 02/24/15

GOWC used this account to recover balances previously recorded in its LICAP memorandum account which were authorized for recovery in Advice Letter AL 244-W-B. This account was authorized recovery via surcharge at $0.06792 per cubic-feet (CCF) from July 1, 2015 to June 30, 2016. However, as a result of reduced consumption during the amortization period the authorized surcharge did not recover the entire approved balance of $325,830 and therefore as of June 30, 2018 a balance of $91,969.55 remained

[393] Please refer the Commission decision D.16-05-041.
[394] Attachment XI-10: "GOWC Response to Cal PA-019" - 17.1.c
[395] GOWC GRC Application A1807002 – 45-day Update - "Exhibit D Report on Results of Operations under "Updated CHAPTER 5 Operating expenses", refer Point 7 in page 31.
[396] GOWC provided detailed workpaper for "Low Income Lost Revenue Memorandum Account" as response to Cal PA's DR 017, Q.17.1.d, under document titled "GOWC Cal PA 017-17.1. d", refer Tab: "2-A-32 RC LICAP 2015 GRC." This document is available upon request.

to be collected.[397] The Public Advocates Office does not object to recovery of this balance.

5. MONTEREY-STYLE WATER REVENUE ADJUSTMENT MECHANISM (WRAM) ACCOUNTS

GOWC's 2017 Annual Report submitted to the Commission identifies three WRAM accounts. The three accounts are discussed below and identified as they are presented in Schedule E of GOWC's 2017 Annual Report:

a) Monterey Style-Water Revenue Adjustment Mechanism (WRAM) Conservations Rates v/s Uniform Rates Memorandum Account

GOWC was authorized to establish this account to track the difference between actual revenues collected using tiered conservation rates and the revenues that would have been collected if using a uniform quantity rate.[398] The account balance as of June 30, 2018 reflects an under collected balance of $220,504.[399] GOWC does not request recovery of this balancing account.

b) Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections Balancing Account

GOWC used this balancing account for "recovery" of three prior WRAM balances that had been authorized for amortization.[400] To collect the authorized balance, GOWC implemented a surcharge of $0.1195 per CCF from January 19, 2016 to January 18, 2017.[401] The account balance as of June 30, 2018 was $0.[402] GOWC clarifies that the account is "inactive and not yet officially closed."[403]

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[397] Attachment XI-10: "GOWC Response to Cal PA-019" - 17.1.c
[398] GOWC 2009 GRC – under the Commission decision D.10-11-034, refer point 5.8.2 in page: 57.
[399] Attachment XI-11: "GOWC Response to Cal PA 019" - 19.1.c.
[400] Attachment XX-12: "Advice Letter (AL-265 -W)" copy provided by GOWC during site visit, under page 2.
[401] GOWC's response to DR 019, Q.19.1.d, under document titled "GOWC Cal PA 019-19.1.d" under tab "2-A31 RC".
[402] Attachment XI-11: "GOWC Response to Cal PA 019" - 19.1.c.
[403] Attachment XI-13: "GOWC Response to Cal PA 019" - 19.1.e.

c) Recovery: M-WRAM Balancing & Memorandum Accounts (Under) Collection Account

GOWC opened this "recovery" account, to track surcharges authorized for recovery in advice letter 265-W, filed on August 3, 2017. GOWC was authorized a surcharge of $0.1786 per CCF from September 05, 2017 until September 04, 2018. GOWC has not requested a change in the operation of this account.

D. CONCLUSION

For all of the reasons discussed above, the Commission should deny GOWC's request to modify the language of its PEBA account. GOWC should be authorized a memorandum account to track costs of its proposed credit card pilot program. The Commission should require GOWC to refund the net balance of $815,650 from its Conservation Lost Revenue Memorandum Account and close the account.

ATTACHMENT XI-1: "GOWC PRELIMINARY STATEMENT" – PEBA

GREAT OAKS WATER COMPANY
San Jose, California

Original Cal. P.U.C. Sheet No. 795-W
Canceling _____ Cal. P.U.C. Sheet No. _____

PRELIMINARY STATEMENT
(Continued)

V. Pension Expense Balancing Account. (N)

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

2. Applicability. The PEBA is applicable to Plan Pension Expense.

3. Definitions.

   a. Authorized Plan Expenses are the $680,000 per year authorized pension expense through June 30, 2020 adopted by D.13-05-020.

   b. SFAS 87 Expenses are the accounting expense amount determined by guidance from the Financial Accounting Standards Board (FASB) and are also known as the "Net Periodic Benefit Cost."

4. Accounting Procedure.

   a. The following entries shall be recorded monthly in the PEBA:
      1. SFAS 87 Expense amount.
      2. Authorized Plan Expenses for ratemaking purposes ($680,000 annually through June 30, 2020).
      3. Total Net PEBA = (1) minus (2).
      4. A negative balance represents a Utility over-collection, while a positive balance represents a utility under-collection.

   b. The Utility will record entries for Authorized Plan Expenses in the PEBA on each July 1st and for SFAS 87 Expense on each date the Utility is informed of the SFAS 87 pension expense amount. When there is a balance in the PEBA, on a monthly basis entries will be made for recording interest accruals. (N)

   c. Interest will accrue monthly on the balance in the PEBA by applying a rate equal to one-twelfth of the 90 Day Non-Financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

(To be inserted by utility)
Advice Letter No. 252-W
Decision No. D.16-05-041

Issued by
Timothy S. Guster
NAME
General Counsel
TITLE

(To be inserted by Cal. P.U.C.)
Date Filed 5-31-2016
Effective 7-1-2016
Resolution No. _____

ATTACHMENT XI-2: "GOWC RESPONSE TO ORA-010" - 10.17.B.

10.17 Pension Expense Balancing Account (PEBA):

Under Exhibit D, Chapter 5, GOWC mentions the below:

"The Company requests that the terms and conditions of this balancing account be modified so that amounts the Company is required to pay upon the retirement or change in employment status of an employee are fully considered and properly reflected in costs."

a. Provide detailed calculations of "Pension Expenses Balancing Account (PEBA)" for the years: 2015/16, 2016/17and 2017/18, in excel sheet with formulas intact. Information provided should include all entries made during the time period with dates of entry.

Response: Please note that the effective date for the Pension Expense Balancing Account is July 1, 2016. See document attached as GOWC ORA-010-10.17a.

b. Detail the terms and conditions that GOWC requests to be modified.

Response: Great Oaks is requesting to include any additional contributions it is required to make to the Pension Plan in the event of a lump-sum distribution to a retiring highly-compensated employee, as in such event, the Plan is required to be funded at 110% after the lump-sum distribution.

10.18 Contamination Proceeds Memorandum Account:
Under Exhibit D, Chapter 3, GOWC proposes to amortize the balance in contamination proceeds memorandum account, an extract of the Chapter shown below:

"The Company therefore proposes that one hundred percent (100%) of the net contamination proceeds (i.e., the entire balance in the Contamination Proceeds Memorandum Account) be apportioned to the shareholders. Great Oaks also proposes that the entire amount be utilized for future additions to plant and that it use such funding for additions before any other capital and/or debt contributions to plant."

a. Provide the calculation of "Net Proceeds" of Contamination Proceeds Memorandum Account, in excel sheet with formulas intact.

Response: See document attached hereto as GOWC ORA-010-10.18a.

b. Please detail the factors and all considerations made in proposing 100% allocation to shareholders.

Response: Please see Exhibit D, Report on Results of Operations, Chapter 3, Section IV. Disposition of Balance in Contamination Proceeds Memorandum Account, at pages 11 – 15.

ATTACHMENT XI-3: "GOWC PRELIMINARY STATEMENT" - CONSERVATION LOST REVENUE AND EXPENSES MEMORANDUM ACCOUNT.

GREAT OAKS WATER COMPANY
San Jose, California

Revised Cal. P.U.C. Sheet No. 766-W
Canceling Original Cal. P.U.C. Sheet No. 745-W

PRELIMINARY STATEMENT
(Continued)

S. Conservation Lost Revenue and Expense Memorandum Account.

1. Purpose. The purpose of the Conservation Lost Revenue and Expense Memorandum Account (Memorandum Account) is to remove the financial disincentive to conserve under the policy of the California Public Utilities Commission (CPUC), and promote conservation consistent with the Governor's Emergency Drought Declaration of January 17, 2014.

   The utility shall activate either voluntary conservation measures pursuant to Rule 14.1 or mandatory rationing pursuant to Schedule 14.1 before booking revenue shortfalls to the Memorandum Account. Lost revenues associated with reduced sales as a result of activation of either Tariff Rule 14.1 or Schedule 14.1 will be tracked in this Memorandum Account, together with associated expenses not otherwise accounted for in rates.

2. Applicability. The Memorandum Account balance will be recovered from all customer classes, except those specifically excluded by the CPUC.

3. Definitions.
   a. Non-Memorandum Account Revenue is all revenue excluded from the Memorandum Account, such as metered service charges and public and private fire protection service revenues. In addition, surcharges and surcredits, unless specifically adopted in the CPUC-adopted revenue requirement for the utility, will be excluded from Memorandum Account tracking.
   b. Memorandum Account Revenue is all revenue not excluded in 3.a., above.
   c. Recorded Memorandum Account Revenue is the amount of quantity rate revenue billed to customers in any particular period.
   d. Adopted Revenue is the quantity rate revenue calculated using CPUC-adopted quantities by specific customer class (per D.13-05-020), the actual number of service connections per corresponding customer class, and authorized rates and applicable surcharges.

4. Accounting Procedure.
   a. The following entries shall be recorded monthly in the Memorandum Account:
      1. The most recent Adopted Revenue adjusted for all relevant rate increases.
      2. Recorded Memorandum Account Revenue for the same time period.
      3. Adopted sales quantity in acre-feet multiplied by the most recently (T) CPUC-adopted variable expense per acre-foot of water sold. (T)

(To be inserted by utility)
Advice Letter No. 243-W
Decision No. Res. W-4976

Issued by
Timothy S. Guster
NAME
General Counsel
TITLE

(To be inserted by Cal. P.U.C.)
Date Filed AUG 14 2014
Effective MAR - 1 2014
Decision/Resolution No.

ATTACHMENT XI-4: "2016 ANNUAL REPORT AND 2017 ANNUAL REPORT" – SCHEDULE E-1 2016 ANNUAL REPORT

SCHEDULE E-1
Balancing, Memorandum & Reserve Accounts

Line No.	Description (a)	Authorized by Decision or Resolution No. (b)	Beginning of Year Balance* (c)	Less: Advice Letter (d)	Offset Revenues (e)	Offset Expenses (f)	Interest (g)	Surcharge (h)	Surcredit (i)	End of Year Balance* (j)
1	Balancing: Pump Tax - Non Agricultural	PUC code 792.5	479,886		1,591,770	1,052,187	(4,851)			1,024,319
2	Balancing: Pump Tax - Agricultural	PUC code 792.5	2,011		460	7	(15)			2,479
3	Balancing: Purchased Power	PUC code 792.5	(195,619)			89,700	1,593			(286,913)
4	Balancing: Interim Rates True Up - 9/1/09 To 3/1/11	Decision 10-11-034	0							0
5	Balancing: M-WRAM - Conservation vs. Uniform Rates - 5/9/11 To 2/11/12	W-4910	(28,773)	28,773						0
6	Balancing: 2009 & 2010 Audit Costs	Decision 10-12-057	11,199				(72)			11,271
7	Balancing: Aggregate (Under) Over Collections	PUC code 792.5	0							0
8	Balancing: M-WRAM - Conservation vs. Uniform Rates - 4/16/12 To 1/7/13	Decision 10-11-034	(15,888)	15,888						0
9	Balancing: 2009 GRC DPAD Calc & Mgmt Lbr Alloc To Non Utility Activity	Decision 13-11-009	(13,960)				90			(14,050)
10	Balancing: Multiple Balancing & Memorandum Accts Over (Under) Collected	Resolution W-4973	(20,620)				133			(20,753)
11	Balancing: M-WRAM - Conservation vs. Uniform Rates - 1/10/13 To 8/8/14	D.10-11-034 & D.13-05-020	(85,390)	85,390						0
12	Balancing: Low Income Customer Assistance Program - 9/3/13 To 2/24/15	AL 244-W-B	(215,241)				867	126,101		(90,007)
13	Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections	Advice Letter 251-W	(358,626)				1,802	214,221		(146,207)
14	Balancing: Low Income Customer Assistance Program Surcharge (2015 GRC)	Decision 16-05-041	0		45,930	71,299	60			(25,428)
15	Balancing: Pension Expense Account (PEBA) (3)	Decision 16-05-041	0			(680,000)	(2,318)			682,318
16	Memorandum: Monterey WRAM - Conservation Rates vs. Uniform Rates	Decision 10-11-034	(16,484)		(201,646)		790			(218,920)
17	Memorandum: Contamination Proceeds	Decision 10-10-018	645,048				(4,133)			649,181
18	Memorandum: Santa Clara Valley Water District Litigation Costs	W-4534	(2,654,959)			30,120	16,915			(2,701,994)
19	Memorandum: 2011 Audit Costs	Decision 10-12-057	0							0
20	Memorandum: 2012 Audit Costs	Decision 10-12-057	0							0
21	Memorandum: City of San Jose Litigation Costs	Decision 10-11-034	(14,006)			1,755	101			(15,862)
22	Memorandum: Low Income Lost Revenue	W-4594	(184,730)			108,169	1,776			(294,674)
23	Memorandum: Catastophic Event	E-3238	0							0
24	Memorandum: Employee Healtrh Insurance	Decision 13-05-020	(925)			10,985	44			(11,955)
25	Memorandum: Military Family Relief Program	Resolution W-4594	0							0
26	Memorandum: CDPH Chromium-6 Compliance	Resolution W-4965	0							0
27	Memorandum: 2010 Tax Act	Resolution L-411A	0							0
28	Memorandum: Conservation Lost Revenue & Expense (3)	Resolution W-4976	(1,537,085)		(3,034,785)	(2,293,025)	12,577			(2,291,421)
29	Totals		(4,204,163)	130,051	(1,598,271)	(1,608,803)	25,360	340,321	0	(3,748,618)

Note 1: For Columns e, f, g, h, & i, provide those amounts booked in the current year.

Note 2: Column d added to account for Advice Letters authorizing collection of prior and current year balances.

Note 3: Signs are flipped versus the actual memorandum account to accommodate over/(under) reporting convention.

* Over (Under) Collection

SCHEDULE E-1

Balancing, Memorandum & Reserve Accounts

Line No.	Description (a)	Authorized by Decision or Resolution No. (b)	Beginning of Year Balance* (c)	Advice Letter (d)	Offset Revenues (e)	Offset Expenses (f)	Interest (g)	Surcharge (h)	Surcredit (i)	End of Year Balance* (j)
1	Balancing: Pump Tax - Non Agricultural	PUC code 792.5	$ 1,024,319	$(1,024,319)	$ 1,728,494	$ 1,250,368	$ (2,559)			$ 480,685
2	Balancing: Pump Tax - Agricultural	PUC code 792.5	$ 2,479	$ (2,479)	$ 1,811	$ 30	$ (9)			$ 1,789
3	Balancing: Purchased Power	PUC code 792.5	$ (286,913)	$ 286,913		$ 93,593	$ 556			$ (94,149)
4	Balancing: 2009 & 2010 Audit Costs	Decision 10-12-057	$ 11,271	$ (11,271)						$ -
5	Balancing: 2009 GRC DPAD Calc & Mgmt Lbr Alloc To Non Utility Activity	Decision 13-11-009	$ (14,050)	$ 14,050						$ -
6	Balancing: Multiple Balancing & Memorandum Accts Over (Under) Collected	Resolution W-4973	$ (20,753)	$ 20,753						$ -
7	Balancing: Low Income Customer Assistance Program - 9/3/13 To 2/24/15	AL 244-W-B	$ (90,007)				$ 1,042			$ (91,049)
8	Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections	Advice Letter 251-W	$ (146,207)	$ 115,571			$ 621	$ 31,257		$ 0
9	Balancing: Low Income Customer Assistance Program Surcharge (2015 GRC)	Decision 16-05-041	$ (25,428)		$ 107,148	$ 157,204	$ 409			$ (75,894)
10	Balancing: Pension Expense Account (PEBA) (4)	Decision 16-05-041	$ 682,318			$ (63,368)	$ (5,507)			$ 751,193
11	Balancing: Recovery of Multiple Balancing & Memorandum Accts Over (Under) Collected	AL 259-W	$ -	$ 716,354			$ (3,529)		$ (685,170)	$ 34,713
12	Recovery: M-WRAM Balancing & Memorandum Accounts (Under) Collection (AL 265-W)	AL 265-W	$ -	$ (462,975)			$ 2,008	$ 91,295		$ (373,687)
13	Memorandum: Monterey WRAM - Conservation Rates vs. Uniform Rates	Decision 10-11-034	$ (218,920)	$ 347,403	$ (217,379)		$ 1,648			$ (90,545)
14	Memorandum: Contamination Proceeds	Decision 10-10-018	$ 649,181				$ (7,389)			$ 656,571
15	Memorandum: Santa Clara Valley Water District Litigation Costs	W-4534	$ (2,701,994)			$ 33,220	$ 30,543			$ (2,765,758)
16	Memorandum: City of San Jose Litigation Costs	Decision 10-11-034	$ (15,862)				$ 181			$ (16,043)
17	Memorandum: Low Income Lost Revenue	W-4594	$ (294,674)				$ 3,412			$ (298,086)
18	Memorandum: Catastophic Event	E-3238	$ -							$ -
19	Memorandum: Conservation Lost Revenue & Expense (4)	Resolution W-4976	$ (2,499,165)		$ (755,293)	$ (548,121)	$ 30,554			$ (2,736,891)
20	Totals		$ (3,944,406)	$ 0	$ 864,780	$ 922,926	$ 51,981	$ 122,552	$ (685,170)	$ (4,617,151)

Note 1: For Columns e, f, g, h, & i, provide those amounts booked in the current year.

Note 2: The detail for each individual account includes the Beginning of Year Balance, End of Year Balance, each Offset Expense adjustment during the year, each Offset Revenue adjustment during the year, each Surcharge adjustment during the year, each Surcredit adjustment during the year, and the decision or resolution number associated with each item of detail.

Note 3: Column d added to account for Advice Letters authorizing collection of prior and current year balances.

Note 4: Signs are flipped versus the actual memorandum account to accommodate over/(under) reporting convention.

* Over (Under) Collection

ATTACHMENT XI-5: "GOWC RESPONSE TO CAL PA- 019" – 19.2.B

a. With reference to line 9 and line 19 of Schedule E-1 in the 2017 Annual report, does the "Balancing: Low Income Customer Assistance Program Surcharge Account" mentioned under line 9 and "Memorandum: Conservation Lost Revenue and Expenses Account" mentioned under line 19 double count revenues and expenses? Please explain.

Response: No. The question references two separate accounts, with different terms and conditions and separate accounting.

b. With reference to Schedule E-1 of 2016 Annual Report (line no 28) and 2017 Annual Report (line no 19), please note that the closing balance as of December 31, 2016 was negative $2,291,421 and the opening balance as of January 01, 2017 was negative $2,499,165. Please explain why the ending balance of 2016 and the beginning balance of 2017 does not match.

Response: The 2016 amount was based solely on billing cycles and the month(s) in which the conservation lost revenues occurred, which likely resulting in under-reporting of conservation lost revenues. For 2017, the reporting was based upon a more detailed analysis using adopted revenues and adopted expenses correlating to each month, resulting in more accurate recording of conservation lost revenues.

c. With reference to Exhibit-D, Chapter 6, under point I.B.4 (pages: 2 and 3), GOWC requests the amortization of Conservation Lost Revenue and Expenses account as per AL-272-W. An extract of AL-272-W, point I.A (page-5), is shown as below, please answer the below question:

"On April 7, 2017, Governor Brown issued Executive Order B-40-17, which lifted the drought emergency throughout most of California. ***In Santa Clara County, however, SCVWD continues to call for 20% water use reductions (compared to 2013) to protect and preserve local water supplies, and Great Oaks continues to cooperate and work with SCVWD on conservation and water use reductions. Mandatory conservation measures under Schedule No 14.1 Stage 1 tariff remain in effect."***

(i) Please provide a copy of SCVWD documents confirming 20% water use reductions.

Response: See Exhibit A to AL 272-W (Santa Clara Valley Water District Resolution 17-08), which is attached hereto as GOWC Cal PA-019-19.2.c.(i).

d. With reference to Exhibit-D, Chapter 6, under point I.B.4 (pages: 2 and 3), GOWC requests the amortization of Conservation Lost Revenue and Expenses account as per AL-272-W. Under AL-272-W, point II.C.(3) (page-11), GOWC proposes to off-set this memorandum account with excess usage surcharges. An extract is shown as below, please answer the following questions:

"During the time period excess usage surcharges were in effect – June 12, 2015 to January 26, 2017 – total excess usage surcharge billed and received totaled

ATTACHMENT XI-6: "GOWC RESPONSE TO CAL PA- 019" – 19.2.E

*$3,391,715. Sufficient excess usage surcharge exist to offset the conservation Memo Account balance being amortized, resulting in no changes in rates or other charges to vustomers. **The remaining balance of excess usage surcharges ($735,304) will continue to be held for futher disposition."***

(i) Provide recorded monthly balances and calculations of all "Excess Usage surcharges" from the effective date June 12, 2015 in MS Excel format with all formulas intact.

Response: See document attached hereto as GOWC Cal PA-019-19.2.d.(i).

(ii) Did GOWC collect "Excess Usage surcharge" after date Jaunary 26, 2017?

Response: Great Oaks discontinued the levy of excess usage surcharges on January 26, 2017. If excess usage surcharges levied up to January 26, 2017 had not been collected by that date, such surcharges were collected in the customer's next bill.

e. For the following two questions please refer to GOWC's updated Exhibit 6-2 in A.18-07-002 and response to Data Request DR-MC8 in A.15-07-001, where GOWC provided workpaper MC8-001(1), tab "2-A-24 RC - Conservation Memo" showing detailed monthly balances of the Conservation Lost Revenue and Expenses memorandum account.

(i) The **"Adopted Revenue Based on ccf sales"** calculation for the starting month of March 2014, provided under Cell B44 under "GOWC Response to MC8-001(1)" tab "2-A-24 RC - Conservation Memo" does not match with the information provided in GOWC's A.18-07-002 workpaper "Updated Exhibit 6-2" tab "Conservation Memo Acct," Cell B21 for the starting month of March 2014. Please explain the reason and reconcile, if any.

Response: See response to 19.2.b., above.

(ii) GOWC provided the calculation of "Variable Cost – Adopted" from Rows 8 to 21 under tab "2-A-24 RC - Conservation Memo" of workpaper "GOWC Response to MC8-001(1)". Please include and provide the "Variable Cost – Adopted" Calculation for the years 2013/2014 to 2018/2019 for the workpaper "Updated workpaper Exhibit 6-2" in excel format with all formulas intact.

Response: See document attached hereto as GOWC Cal PA-019-19.2.e.(ii).

19.3 Pension Expenses Balancing Accounts (PEBA):

Please refer to GOWC's response to Data Request DR-004-Expenses, Q.4.2.a and GRC decision D.16-05-041, under section 2.6 (pages: 8 to 9) for the following questions:

a. Provide proposed Preliminary Statement with underlining the changes proposed to be made.

ATTACHMENT XI-7: "AL 272-W," OFFSET OF CONSERVATION LOST REVENUES AND EXPENSES WITH EXCESS USAGE SURCHARGE

letter in the Exhibit C AL 272-W Workpapers that shows the maximum amount recoverable during each year[15] so that no "excess" recovery is being requested. The amount being amortized in this advice letter ($2,656,411) is less than the maximum amount recoverable under the Res. W-4976 limitations ($3,301,374), so no additional reductions in the Conservation Memo Account balances are required.

Maximum Amount Recoverable Per Rate Year and Res. W-4976 Limitations					
Rate Year>	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Auth. Revenues	*$329,903	$1,201,858	$1,201,858	$1,205,260	**$940,939
Recorded Revs.	*$232,388	$1,037,423	$937,397	-$765,705	**$55,440
Conservation Memo Acct. Balance	*$98,968	$164,435	$264,461	$1,970,964	**$885,499
Less ROE Adjustment	*-$5,076	-$18,490	-$18,490	-$18,542	**-$20,903
Max Amount Recoverable	*$92,439	$145,945	$245,971	$1,952,422	**$864,597
Total					$3,301,374

*Based upon 27.92% of annual sales. **Based upon 72.08% of annual sales

(3) Offset of Conservation Lost Revenues and Expenses with Excess Usage Surcharges.

During the time period excess usage surcharges were in effect – June 12, 2015 to January 26, 2017 – total excess usage surcharges billed and received totaled $3,391,715.[16] Sufficient excess usage surcharges exist to offset the Conservation Memo Account balance being amortized, resulting in no changes in rates or other charges to customers. The remaining balance of excess usage surcharges ($735,304) will continue to be held for future disposition.

III. Advice Letter Procedure

(1) Effective Date – May 31, 2018.

Great Oaks requests that the effective date of the requested resolution be the filing date of this advice letter – May 31, 2018. For tax purposes, it is important that the effective date be during the 2018 calendar year.

(2) Tier Designation.

This is a Tier 3 Advice Letter pursuant to Res. W-4976.

(3) Notice and Service.

This advice letter is being posted to Great Oaks Water Company's website and is also being served upon the Distribution List provided below.

[15] *See* Exhibit C AL 272 Workpapers at the tabs entitled: 2013-2014 SOE; 2014-2015 SOE; 2015-2016 SOE; 2016-2017 SOE; and 2017-2018 SOE.
[16] Exhibit C AL 272-W Workpapers, Excess Usage Surcharges tab.

ATTACHMENT XI-8: "SCVWD RESOLUTION 17-08"

BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT

RESOLUTION NO. 17-08

CALLING FOR A 20 PERCENT WATER USE REDUCTION TARGET AND A RESTRICTION ON OUTDOOR WATERING OF ORNAMENTAL LANDSCAPES OR LAWNS WITH POTABLE WATER TO A MAXIMUM OF THREE DAYS A WEEK; FURTHER, SUPPORTING LOCAL ENFORCEMENT OF THE WATER WASTE PROHIBITIONS CURRENTLY IN EFFECT BY THE STATE WATER RESOURCES CONTROL BOARD, OR AS MAY BE AMENDED

WHEREAS, in California, water is a precious and limited resource that must be used wisely; and

WHEREAS, calendar year 2013 was the driest year on record and precipitation in 2014 and 2015 has been insufficient to restore local water supplies; and

WHEREAS, on March 24, 2015, the Santa Clara Valley Water District (District) Board of Directors adopted Resolution 15-24 calling for water use reduction of 30 percent for Santa Clara County in calendar year 2015 as compared to 2013 and a restriction on outdoor watering with potable water to no more than two days a week through December 2015; and

WHEREAS, on November 24, 2015, by Resolution 15-70, the District continued its call for 30 percent water use reduction and restrictions on outdoor irrigation through June 30, 2016; and

WHEREAS, on June 14, 2016, by Resolution 16-55, the District reduced its call for 30 percent water use reduction to 20 percent and increased the days per week restriction from two days per week to three days per week, through January 31, 2017; and

WHEREAS, Santa Clara County relies on water supply imported from the State Water Project and Central Valley Project to provide water for the drinking water treatment plants, replenish the local groundwater basin, and prevent the return of historic overdraft and land subsidence that could damage Bay-front levees and other critical infrastructure in northern Santa Clara County; and

WHEREAS, local watershed runoff was extremely low in the 2015 water year, and the District's ability to augment reservoir storage with imported water is limited because of California Department of Water Resources Division of Dam Safety requirements; and

WHEREAS, in 2015, State Water Project allocations were reduced to 20 percent of contract quantity; Central Valley Project water allocations for agricultural water service contractors South-of-Delta were allocated zero percent of their contract quantity; and Central Valley Project water allocations for municipal and industrial (M&I) water service contractors South-of-Delta received enough water to meet their health and safety needs or at least 25 percent of their historic use, whichever is greater; and

WHEREAS, in 2016, the State Water Project allocations were 60 percent of contract quantity; Central Valley Project allocations for agricultural water service contractors South-of-Delta were 5 percent of their contract quantity; and Central Valley Project allocations for M&I water service contractors South-of-Delta were 55 percent, and

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WHEREAS, in 2017, the most recent State Water Project allocations are 60 percent of contract quantity; Central Valley Project allocations have not been announced; and

WHEREAS, the District does not have its final State Water Project or Central Valley Project contract allocations for 2017, and other uncertainties could result in lower than expected allocations; and

WHEREAS, the District's Water Shortage Contingency Plan, contained within its Urban Water Management Plan, guides the District's water supply management actions for supply augmentation, increased water use reduction measures, and the use of local reserve supplies; and

WHEREAS, through careful water management, Santa Clara County groundwater reserves at the start of 2014 were well within the "Normal" stage of the District's Water Shortage Contingency Plan; however, due to limited recharge and increased groundwater pumping, these reserves were reduced by approximately 81,000 acre-feet by the end of 2014 and another 23,000 acre-feet by the end of 2015; and

WHEREAS, the estimated end-of-year 2016 storage is within Stage 1 (Normal) of the Water Shortage Contingency Plan due to the significant countywide water use reduction of 28 percent and improved water supply conditions in 2016; and

WHEREAS, the District must maintain sufficient local surface and groundwater reserve supplies to meet local demands and cope with supply interruptions from natural disasters and catastrophic events such as an earthquake; and

WHEREAS, even though normal hydrology returned in the early part of the 2017 water year, the District does encourage water retailers and the community to continue their efforts in managing and using water prudently and efficiently; and

WHEREAS, the District through coordination with retail water agencies, local municipalities and the County of Santa Clara is continuing public outreach and education to create greater awareness of countywide water supply challenges and need for efficient water use; and

WHEREAS, the District must rely on the actions of the retail water agencies, local municipalities and the County of Santa Clara to support community and customer water use reduction measures; and

WHEREAS, the State Water Resources Control Board extended its Emergency Regulation for Urban Water Conservation on May 18, 2016, requiring locally developed water use reduction targets based on local conditions. Further, agencies like the District were required to provide analysis of water supply conditions assuming three additional dry years, and water retailers were required to self-certify the level of conservation necessary to assure adequate supply over that time; and

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WHEREAS, the State Water Resources Control Board's Emergency Regulation includes the following prohibitions of water use:

- The application of potable water to outdoor landscapes in a manner that causes runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures; and
- The use of a hose that dispenses potable water to wash a motor vehicle, except where the hose is fitted with a shut-off nozzle or device attached to it that causes it to cease dispensing water immediately when not in use; and
- The application of potable water to driveways and sidewalks; and
- The use of potable water in a fountain or other decorative water feature, except where the water is part of a recirculating system; and
- The application of potable water to outdoor landscapes during and within 48 hours after measurable rainfall; and
- The serving of drinking water other than upon request in eating or drinking establishments, including but not limited to restaurants, hotels, cafes, cafeterias, bars, or other public places where food or drink are served. and/or purchased; and
- The irrigation with potable water of ornamental turf on public street medians; and
- The irrigation with potable water of landscapes outside of newly constructed homes and buildings in a manner inconsistent with regulations or other requirements established by the California Building Standards Commission and the Department of Housing and Community Development.

WHEREAS, the District continues to work closely with retail water agencies, untreated surface water customers, regulatory agencies, state and federal project operators and other water districts to manage District operations and continuing drought response.

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District calls for: (i) a water use reduction target equal to 20 percent of 2013 water use; (ii) a restriction on outdoor watering of ornamental landscapes or lawns with potable water to a maximum of three days a week (odd numbered and no addresses may water on Mondays, Thursdays and Saturdays; even numbered addresses may water on Tuesdays, Fridays and Sundays); and (iii) local enforcement of the water waste prohibitions currently in effect by the State Water Resources Control Board, or as may be amended; commencing February 1, 2017.

Calling For A 20 Percent Water Use Reduction Target And A Restriction On Outdoor Watering Of Ornamental Landscapes Or Lawns With Potable Water To A Maximum Of Three Days A Week; Further, Supporting Local Enforcement Of The Water Waste Prohibitions Currently In Effect By The State Water Resources Control Board, Or As May Be Amended

Resolution 17- 08

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on January 31, 2017:

AYES:	Directors	Santos, LeZotte, Estremera, Hsueh, Keegan, Kremen, Varela
NOES:	Directors	None
ABSENT:	Directors	None
ABSTAIN:	Directors	None

SANTA CLARA VALLEY WATER DISTRICT

By: John L. Varela

JOHN L. VARELA
Chair/Board of Directors

ATTEST: MICHELE L. KING, CMC

Michele L. King

Clerk/Board of Directors

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ATTACHMENT XI-9: "AL 272-W," GOWC DISCONTINUED DROUGHT ALLOCATIONS AND EXCESS USAGE SURCHARGE.

Locally, however, the call for conservation was both louder and stronger, with SCVWD calling for a 30% reduction in water use as compared to 2013. Consistent with SCVWD's call for a 30% reduction and Res. W-5000, which called upon Great Oaks to cooperate and coordinate with local government agencies on conservation, Great Oaks developed and filed its Advice Letter 245-W (and its supplement, Advice Letter 245-W-A) to add a Schedule No. 14.1 tariff that was designed to produce SCVWD's desired 30% reduction in water usage. The Commission approved Advice Letter 245-W-A on June 16, 2015, with an effective date of June 12, 2015.

Great Oaks' authorized Schedule No. 14.1 tariff implemented an excess usage surcharge for all usage over the applicable drought allocation. The excess usage surcharge equaled two times Great Oaks' uniform quantity charge and was applied to all units (CCF) over the customer's drought allocation for the billing period. Great Oaks began tracking and recording excess usage surcharges at that time, all in accord with the procedures of Res. W-4976 and the terms of the authorized Conservation Memo Account.

During the last half of 2015 and the first half of 2016, Great Oaks' conservation efforts proved successful under its Schedule No. 14.1 tariff. On June 14, 2016, SCVWD lowered its conservation requirements for Santa Clara County (from 30% reductions to 20% reductions, as compared to water usage in 2013). The City of San José similarly adopted the same 20% water usage reductions on June 21, 2016.

Following these local government actions, on June 21, 2016, Great Oaks submitted its required self-certification and notified the Water Board that Great Oaks would be taking action consistent with SCVWD's call for 20% water use reductions.

Then, on June 23, 2016, the Commission issued its Res. W-5103 Option A, requiring Commission-regulated water utilities to comply with the most recent Water Board Emergency Regulations.

As a result of these changes and new rates authorized in D.16-05-041, on July 11, 2016, Great Oaks filed its Advice Letter 254-W requesting modification to Schedule No. 14.1 tariff. That request was granted, with an effective date of July 25, 2016. The changes authorized under Advice Letter 254-W updated drought allocations and excess usage surcharges.

On January 26, 2017, Great Oaks filed Advice Letter 258-W to deactivate Stage 2 of its Schedule No. 14.1 tariff due to actions of SCVWD and improved local water supply conditions. Drought allocations and excess usage surcharges were discontinued at that time, although mandatory water conservation measures, including water waste prohibitions, continue to be in effect.

On January 31, 2017, SCVWD issued its Resolution 17-08 calling for a continued 20% reduction in water use, as compared to water use in calendar year 2013. A copy of this Resolution is attached hereto as Exhibit A. SCVWD Resolution 17-08 remains in effect to this day[4] and Great

[4] On May 14, 2018, the Manager of SCVWD's Water Supply Planning & Conservation Unit reminded all water utilities in Santa Clara County by email that Resolution No. 17-08 is "still in place and has no end date."

ATTACHMENT XI-10: "GOWC RESPONSE TO CAL PA-019" - 17.1.C

Response: Yes. The under-collected balance for Res. W-4594 account was ($298,085.97) as of December 31, 2017. The under-collected balance for the same account was ($301,099.30) as of June 30, 2018.

b. If answer to question (a) is "No," please identify the account name reported in the 2017 Annual Report to the Commission.

Response: No answer required.

c. Please provide the balance amount as of June 30, 2018 for the following accounts:

Account	Authorization	June 30, 2018 Balance
Balancing: Low Income Customer Assistance Program – 9/3/13 to 2/24/15	AL 244-W-B	($91,969.55)
Balancing: Low Income Customer Assistance Program Surcharge (2015 GRC)	D.16-05-041	($107,778.26)
Memorandum: Low Income Lost Revenue	W-4594	($301,099.30)

d. Provide detailed work papers for the above three mentioned accounts from January 1, 2015 to June 30, 2018 in MS Excel format with all formulas intact.

Response: See document attached hereto as GOWC Cal PA 017-17.1.d.

Date: September 24, 2018

/S/

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
Facsimile: (408) 227-7126
Email: tguster@greatoakswater.com

ATTACHMENT XI-11: "GOWC RESPONSE TO CAL PA-019" – 19.1.C

Commission titled, "Memorandum: Monterey WRAM - Conservation Rates vs. Uniform Rates (D.10-11-034)"?

Response: Yes.

b. If the answer to question (a) is "No", please identify the account name reported in the 2017 Annual Report to the Commission.

Response: No response required.

c. Please provide the balance amount as of June 30, 2018 for the following accounts:

Account Description (From GOWC's 2017 Annual Report)	Authorized by Decision or Resolution number	Account balance as on June 30, 2018 (under) over
Memorandum: Monterey WRAM - Conservation Rates vs. Uniform Rates	D.10-11-034	(220,504.04)
Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections	Advice Letter 251-W	0
Recovery: M-WRAM Balancing & Memorandum Accounts (Under) Collection	AL 265-W	(208,515.66)

d. Provide detailed workpapers of the above mentioned three accounts from June 27, 2017 to June 30, 2018 in MS Excel format with all formulas intact.

Response: See document attached as GOWC Cal PA-019-19.1.d.

e. Is the Account "Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections," as reported in line 8 of the 2017 Annual report, currently open and to be used for authorized recovery of WRAM balances?

Response: The account is inactive and not yet officially closed.

f. If the answer to question (e) is "No", please identify in which account does GOWC currently tracks recovery of under or over collection of WRAM amounts that will be used in the future for WRAM amortization.

Response: Great Oaks does not track recovery in a "catch-all" type of account as the question suggests. Instead, Great Oaks tracks recovery of over or under collections of Monterey-style WRAM amounts in separate accounts, all under the authority and by the terms of the applicable tariff.

19.2 Conservation Lost Revenue and Expenses Account:

Please refer to GOWC's 2016 and 2017 Annual Report submitted to the Commission, Updated Exhibit 6-2, Advice Letter 272-W (filed by GOWC on May 31, 2018) and Data Request response to previous GRC (A.15-07-001) provided for DR-MC8-001(1) for the following questions:

ATTACHMENT XI-12: "ADVICE LETTER (AL-265-W)"

Pursuant to Ordering Paragraph 9 of Decision 10-11-034, Great Oaks filed Advice Letter 202-W to establish the WRAM Account, and the Commission approved the WRAM Account effective March 8, 2011. Tariff sheets for the WRAM Account were last revised and updated, effective November 20, 2015, pursuant to Great Oaks' Advice Letter 248-W.

On four prior occasions, Great Oaks amortized the balance in this WRAM account. Great Oaks' Advice Letter 223-W was approved by the Commission with an effective date of May 13, 2012. Supplemental Advice Letter 229-W-A was approved by the Commission with an effective date of January 15, 2013. Advice Letter 242-W was approved by the Commission with an effective date of September 2, 2014. And Advice Letter 251-W was approved by the Commission with an effective date of January 19, 2016.

This Advice Letter 265-W is presented using the same format and the same methodology as the four advice letters referenced above.

Advice Letter 251-W amortized the remaining balances in three prior WRAM amortizations, plus the then outstanding balance in the WRAM Account itself. The total amount amortized through Advice Letter 251-W was $358,626.46. The authorized surcharge was effective January 19, 2016, and lasted for a twelve-month period. Due, again, to lower water sales during the drought, the full amount authorized was not collected, resulting in a uncollected balance of $115,571.35. Data evidencing the under-collection from Advice Letter 251-W is included in the attached AL 265 Workpapers at WP-1.

The current balance in the WRAM Account is $347,403.20. See attached AL 265 Workpapers at WP-2.[1] The time period covered by the WRAM Account is from December 8, 2015 through June 26, 2017. The supporting calculations in the workpapers provides a week-by-week summary of the difference between the revenue Great Oaks actually received through quantity charges from Single-Family Residential Customers and what Great Oaks would have received under uniform quantity charges for the time periods specified in the authorized WRAM Account.

The combined amount to be amortized through this Advice Letter is the sum of the prior uncollected balance plus the current WRAM Account balance: $462,974.55 ($115,571.35 + $347,403.20). This amount represents 2.95% of Great Oaks' total revenue requirement ($15,687,216[2]) for the current rate year. Pursuant to D.10-11-034,

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[1] Data supporting the information in the Workpapers is available upon request. The data will consist of billing entries for the time period covered by this Advice Letter. The amount of data is significant and cannot be sent via email. Upon request, a data disk will be provided.

[2] The total revenue requirement for the current rate year was authorized through Great Oaks' Advice Letter 260-W-A.

ATTACHMENT XI-13: "GOWC RESPONSE TO CAL PA-019" – 19.1.E.

Commission titled, "Memorandum: Monterey WRAM - Conservation Rates vs. Uniform Rates (D.10-11-034)"?

Response: Yes.

b. If the answer to question (a) is "No", please identify the account name reported in the 2017 Annual Report to the Commission.

Response: No response required.

c. Please provide the balance amount as of June 30, 2018 for the following accounts:

Account Description (From GOWC's 2017 Annual Report)	Authorized by Decision or Resolution number	Account balance as on June 30, 2018 (under) over
Memorandum: Monterey WRAM - Conservation Rates vs. Uniform Rates	D.10-11-034	(220,504.04)
Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections	Advice Letter 251-W	0
Recovery: M-WRAM Balancing & Memorandum Accounts (Under) Collection	AL 265-W	(208,515.66)

d. Provide detailed workpapers of the above mentioned three accounts from June 27, 2017 to June 30, 2018 in MS Excel format with all formulas intact.

Response: See document attached as GOWC Cal PA-019-19.1.d.

e. Is the Account "Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections," as reported in line 8 of the 2017 Annual report, currently open and to be used for authorized recovery of WRAM balances?

Response: The account is inactive and not yet officially closed.

f. If the answer to question (e) is "No", please identify in which account does GOWC currently tracks recovery of under or over collection of WRAM amounts that will be used in the future for WRAM amortization.

Response: Great Oaks does not track recovery in a "catch-all" type of account as the question suggests. Instead, Great Oaks tracks recovery of over or under collections of Monterey-style WRAM amounts in separate accounts, all under the authority and by the terms of the applicable tariff.

19.2 Conservation Lost Revenue and Expenses Account:

Please refer to GOWC's 2016 and 2017 Annual Report submitted to the Commission, Updated Exhibit 6-2, Advice Letter 272-W (filed by GOWC on May 31, 2018) and Data Request response to previous GRC (A.15-07-001) provided for DR-MC8-001(1) for the following questions:

CHAPTER XII: CONTAMINATION PROCEEDS MEMORANDUM ACCOUNT

A. INTRODUCTION

In 2003, gasoline containing methyl tertiary-butyl ether (MTBE)[404] which threatened potential contamination of Great Oaks Water Company's (GOWC's) ground water supplies, was released at a gasoline station within GOWC's service territory. Following the MTBE release, GOWC placed its Well #16 in standby operational mode and brought a lawsuit on a contingency basis against the parties allegedly responsible for the MTBE release to recover any MTBE-related damages.

GOWC opened a Contamination Proceeds Memorandum Account in September 2012 via Advice Letter 228-W-A. In accordance with California Public Utilities Commission (CPUC) Decision ("D.") 10-10-018, the purpose of the Contamination Proceeds Memorandum Account is to account for funds received by the Utility in the form of damage awards and settlements from parties responsible or allegedly responsible for contamination of the Utility's water supply and/or plant in service[405].

The total amount received by GOWC from the MTBE lawsuit settlement was $1,005,000. After payment of the attorney contingency fee and the reimbursement of costs advanced by the attorneys, GOWC recorded net-proceeds of $654,800 in its Contamination Proceeds Memorandum Account.

The following chapter sets forth the Public Advocates Office's analysis and recommendations on GOWC's request to amortize the balance in its Contamination Proceeds Memorandum Account and allow shareholders to retain 100% of the net proceeds. The Public Advocates Office analyzed GOWC's reports, supporting work papers and responses to data requests, as well as, researched past CPUC decisions on this issue pertaining to other Class A water utilities before making its recommendations.

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[404] MTBE is a flammable, colorless chemical compound that dissolves easily in water.
[405] GOWC Tariff Preliminary Statement N

B. SUMMARY OF RECOMMENDATIONS

The detailed analysis of factors that the CPUC requires to determine allocation of net proceeds is absent from GOWC's application and testimony. GOWC did not provide a detailed analysis of the determinative factors to justify its proposed 100% retention of net proceeds.[406] The net proceeds recorded in GOWC's Contamination Memorandum Account should be shared between the utility's shareholders and ratepayers, with ratepayers receiving no less than 25%, similar to what the CPUC adopted in A.15-07-015 (California Water System Company or CWS).

C. DISCUSSION

GOWC "proposes that one hundred percent (100%) of the net contamination proceeds (i.e., the entire balance in the Contamination Proceeds Memorandum Account) be apportioned to the shareholders."[407] In October 2014 and February 2015, GOWC incurred expenses of $12,472.53 and $697.67 respectively to place its Well #16 back into operation. In response to discovery, GOWC provided invoices to the two journal entries recorded in the Contamination Proceeds Memorandum Account[408]. However, GOWC had capitalized the expenses in 2016[409]. This means that GOWC also recorded the expenses as an asset and has been depreciating it since 2016. Now, in the this GRC, GOWC reports a balance of $663,029.64 as of June 30, 2018[410] which includes the expenses that were also capitalized. GOWC is recovering the incurred expenses of $13,170.2[411] through both deduction from Contamination proceeds and depreciation of asset. Since GOWC considers these expenses as qualifying for capitalization, the incurred expenses in Contamination Proceeds Memorandum Account should be adjusted to avoid double

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[406] See D.10-10-018 Appendix D
[407] GOWC 45-Day Update, Updated Exhibit D Report on Results of Operations, Update Chapter 3 Company Operations and Basic Information page 15
[408] See Attachment XI-1, GOWC response to Cal PA Data Request No. 019 Expenses Question 19.4a
[409] See Attachment XI-1, GOWC response to Cal PA Data Request No. 019 Expenses Question 19.4b
[410] See Attachment XI-2, GOWC response to Cal PA Data Request No. 004 Expenses Question 4.2
[411] $13,170.2 = $12,472.53 + $697.67

recovery. Therefore, the balance in the Contamination Proceeds Memorandum Account to be allocated between ratepayers and shareholders should be approximately $676,199.84[412] as of June 30, 2018.

To determine allocation of the balance in this account between shareholders and ratepayers, GOWC should have more closely followed the guidance from D.10-10-018, where Conclusion of Law #12 states that, "… the allocation should be based on factors relevant to the individual case, including factors set out in Table 2 (and repeated in Appendix D) of this decision."[413] However, in its testimony, GOWC did not discuss the factors in Appendix D of D.10-10-018 in detail, but rather simply referred to the settlement agreement in its MTBE lawsuit and the advice letter approving the creation of the memorandum account.

In response to the Public Advocates Office's discovery inquiring about any actual analysis of the required factors for determining allocation of net proceeds, GOWC once again directed the Public Advocates Office to its testimony for the complete extent of the analysis performed by GOWC in support for its proposed retention of all net proceeds.[414] Within this testimony, as referenced above, GOWC provided only background information about its GRC settlement agreement for handling the balance of Contamination Proceeds Memorandum Account, an excerpt from Advice Letter 228-W-A which authorized the memorandum account, and a brief discussion of the factors that apparently GOWC had determined to be relevant.

GOWC's lack of a detailed analysis is in sharp contrast to the thorough consideration and presentation of all factors provided by CWS in A.15-07-015.[415] Table XII-1 compares the extent to which GOWC and CWS addressed the required factors listed in Appendix D Table 2 of D.10-10-018:

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[412] $676,199.84 = $663,029.64 + $13,170.20
[413] D.10-10-018 page 61
[414] See Attachment XI-3, GOWC response to Cal PA Data Request No. 010 Expenses Question 10.18
[415] See Attachment XI-4, Direct Testimony of John Tootle

Table XII-1:

Factors to Consider in Allocating Net Proceeds Appendix D – Table 2 of D.10-10-018	Addressed by GOWC in A.18-07-002	Addressed by CWS in A.15-07-015
I. Contamination Occurrence, Impact and Response		
A. Health threat, anxiety and toxic exposure	No	Yes
B. Wells closures; interruption of supply	Yes	Yes
C. Obtaining replacement supply	Yes	Yes
E. Property and water right diminution	No	Yes
F. Diversion and straining of resources for response	No	Yes
G. Cash flow and capital demands of response	No	Yes
H. Management generally of response	Yes	Yes
I. Uncertainty as to scope, severity and duration of event	No	Yes
J. Threat to and diminution of reputation	No	Yes
K. Cash flow and rate adjustment impacts	No	Yes
L. Circumstances or mechanisms that offset or mitigate risk or Impacts	No	Yes
II. Cost and Damage Recovery Efforts, Claims and Events		
A. Risk or reality of not receiving full recovery	No	Yes
B. Risk or reality of higher water rates	No	Yes
C. Requirement and conditions accompanying grants or loans	No	Yes
D. Risk or reality of being sued; exposure to costs and damages	No	Yes
E. Undertaking litigation as a utility or ratepayer		
1. Risk of counter suits or cross claims	No	Yes
2. Uncertainty of outcome risk of no or low damage award	No	Yes
3. Cost of experts	No	Yes
4. Attorneys' fees (if not contingency contract)	N/A	Yes
5. Relative complexity; number and nature of parties, competing experts and models, duration and depth of discovery, length of pretrial and trial proceedings or settlement negotiations, and duration overall	No	Yes
6. Extent to which management resources diverted and strained	No	Yes
7. Extent to which water service is affected	No	Yes
8. Outcome concerning settlement or compensatory, general and punitive damage award; relative success or failure; amount of recovery relative to damage and cost of replacement and remediation	Yes	Yes
F. Mitigating or off-setting circumstances, incentives and mechanisms; balancing and memorandum accounts; cost of capital premiums	Yes	Yes

Despite proposing to share net proceeds between shareholders and ratepayers quite differently, the general circumstances surrounding the memorandum accounts for GOWC and CWS are similar. Both companies sought to recover damages from parties allegedly responsible for potential MTBE contamination of ground water supplies. Both companies took wells offline to maintain safe water quality service for customers. And

both companies deducted the expenses associated with their actions from funds received in their calculation of net proceeds consistent with CPUC guidance.[416]

One possible difference between GOWC and CWS's efforts was the contingency basis of GOWC's lawsuit "meaning that litigation expenses (including attorney fees, out-of-pocket expenses, and costs) would be paid from the recovery, if any, from the lawsuit."[417] However, without GOWC's complete consideration of all determinative factors listed above in Table XII-1, it is difficult to know if this or any other possible differences were offset by unaccounted-for ratepayer risks or missing ratepayer benefits. For example, the final decision adopting CWS's proposed sharing of just 25% of net proceeds with ratepayers found that such a proportion was reasonable given "the significant benefits ratepayers are receiving from the bulk of the net proceeds."[418] Since GOWC did not address all of the determinative factors and was unable to identify any tangible ratepayer benefits resulting from its litigation, the CPUC may ultimately determine that a ratepayer share greater than the 25% adopted for CWS is warranted in the case of GOWC.

D. CONCLUSION

The CPUC should reject GOWC's proposal for shareholders to retain 100% of the net proceeds recorded in its MTBE litigation memorandum account for the following reasons:

- GOWC did not provide a detailed analysis of the factors required in D.10-10-018;
- GOWC did not update or augment its application to address the referenced factors upon the request of the Public Advocates Office for additional information; and

[416] Ordering Paragraph #6 of D.10-10-018
[417] GOWC Exhibit D, Chapter 3, page 12.
[418] D.16-12-042 page 32

- Unlike the resolution of net proceeds for CWS where a 25% ratepayer share was found to be reasonable because of the significant ratepayer benefits previously realized, GOWC has been unable to identify any tangible ratepayer benefits associated with its MTBE litigation yet still proposes that its ratepayers receive nothing from the net proceeds.

In the absence of a complete and thorough analysis of all determinative factors, the CPUC should allocate to ratepayers no less than the 25% of net proceeds adopted for CWS in A.15-07-015. This equates to $169,049.96 of the $676,199.84 in net proceeds recorded in GOWC's MTBE litigation memorandum account as of June 30, 2018 and results in a credit of $7.94 for each GOWC ratepayer.[419] In accordance with CPUC Standard Practice, the credit should apply to service charges and be amortized as a refund on ratepayers' bills over the course of one year.[420]

[419] $169,049.96 divided by the estimated 2019/2020 total customers (21,265) total customers identified in WP11 of GOWC Exhibit E workpapers
[420] Standard Practice U-27-W page 16

ATTACHMENT XII-1: GOWC RESPONSE TO CAL PA DATA REQUEST NO. 019 EXPENSES

GREAT OAKS WATER COMPANY

P. O. BOX 23490
SAN JOSE, CA 95153
(408) 227-9540
tguster@greatoakswater.com

October 1, 2018

Via email to:

Tony Tully, ORA Project Lead
tony.tully@cpuc.ca.gov

Travis Foss, Attorney for ORA
travis.foss@cpuc.ca.gov

Richard Rauschmeier, Program and Project Supervisor, ORA
richard.rauschmeier@cpuc.ca.gov

Anusha Nagesh, Auditor for Cal PA
anusha.nagesh@cpuc.ca.gov

RE: **Great Oaks Water Company Responses to Cal PA Data Request No. 019**

Great Oaks Water Company (Great Oaks) hereby provides its responses to Cal PA Data Request No. 019.

Responses to Data Request No. 019 Balancing and Memorandum Accounts

BALANCING AND MEMORANDUM ACCOUNTS:

19.1 Water Revenue Adjustment Mechanism (WRAM) Accounts:

Please refer to GOWC's response to Cal PA's Data Request DR-004-Expenses and GOWC's 2017 Annual Report to the Commission for the following questions:

a. Is the account balance of negative $220,504.04 provided under the account "Monterey-Style WRAM A/c" by GOWC in response to Cal PA's DR-004-Expenses-Q.4.2.a, the balance for same account reported in line 13 of the 2017 Annual Report to the

Commission titled, "Memorandum: Monterey WRAM - Conservation Rates vs. Uniform Rates (D.10-11-034)"?

Response: Yes.

b. If the answer to question (a) is "No", please identify the account name reported in the 2017 Annual Report to the Commission.

Response: No response required.

c. Please provide the balance amount as of June 30, 2018 for the following accounts:

Account Description (From GOWC's 2017 Annual Report)	**Authorized by Decision or Resolution number**	**Account balance as on June 30, 2018 (under) over**
Memorandum: Monterey WRAM - Conservation Rates vs. Uniform Rates	D.10-11-034	(220,504.04)
Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections	Advice Letter 251-W	0
Recovery: M-WRAM Balancing & Memorandum Accounts (Under) Collection	AL 265-W	(208,515.66)

d. Provide detailed workpapers of the above mentioned three accounts from June 27, 2017 to June 30, 2018 in MS Excel format with all formulas intact.

Response: See document attached as GOWC Cal PA-019-19.1.d.

e. Is the Account "Balancing: Multiple Monterey WRAM Balancing Accounts Over (Under) Collections," as reported in line 8 of the 2017 Annual report, currently open and to be used for authorized recovery of WRAM balances?

Response: The account is inactive and not yet officially closed.

f. If the answer to question (e) is "No", please identify in which account does GOWC currently tracks recovery of under or over collection of WRAM amounts that will be used in the future for WRAM amortization.

Response: Great Oaks does not track recovery in a "catch-all" type of account as the question suggests. Instead, Great Oaks tracks recovery of over or under collections of Monterey-style WRAM amounts in separate accounts, all under the authority and by the terms of the applicable tariff.

19.2 Conservation Lost Revenue and Expenses Account:

Please refer to GOWC's 2016 and 2017 Annual Report submitted to the Commission, Updated Exhibit 6-2, Advice Letter 272-W (filed by GOWC on May 31, 2018) and Data Request response to previous GRC (A.15-07-001) provided for DR-MC8-001(1) for the following questions:

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a. With reference to line 9 and line 19 of Schedule E-1 in the 2017 Annual report, does the "Balancing: Low Income Customer Assistance Program Surcharge Account" mentioned under line 9 and "Memorandum: Conservation Lost Revenue and Expenses Account" mentioned under line 19 double count revenues and expenses? Please explain.

Response: No. The question references two separate accounts, with different terms and conditions and separate accounting.

b. With reference to Schedule E-1 of 2016 Annual Report (line no 28) and 2017 Annual Report (line no 19), please note that the closing balance as of December 31, 2016 was negative $2,291,421 and the opening balance as of January 01, 2017 was negative $2,499,165. Please explain why the ending balance of 2016 and the beginning balance of 2017 does not match.

Response: The 2016 amount was based solely on billing cycles and the month(s) in which the conservation lost revenues occurred, which likely resulting in under-reporting of conservation lost revenues. For 2017, the reporting was based upon a more detailed analysis using adopted revenues and adopted expenses correlating to each month, resulting in more accurate recording of conservation lost revenues.

c. With reference to Exhibit-D, Chapter 6, under point I.B.4 (pages: 2 and 3), GOWC requests the amortization of Conservation Lost Revenue and Expenses account as per AL-272-W. An extract of AL-272-W, point I.A (page-5), is shown as below, please answer the below question:

> "*On April 7, 2017, Governor Brown issued Executive Order B-40-17, which lifted the drought emergency throughout most of California.* ***In Santa Clara County, however, SCVWD continues to call for 20% water use reductions (compared to 2013) to protect and preserve local water supplies, and Great Oaks continues to cooperate and work with SCVWD on conservation and water use reductions. Mandatory conservation measures under Schedule No 14.1 Stage 1 tariff remain in effect.*** *"*

(i) Please provide a copy of SCVWD documents confirming 20% water use reductions.

Response: See Exhibit A to AL 272-W (Santa Clara Valley Water District Resolution 17-08), which is attached hereto as GOWC Cal PA-019-19.2.c.(i).

d. With reference to Exhibit-D, Chapter 6, under point I.B.4 (pages: 2 and 3), GOWC requests the amortization of Conservation Lost Revenue and Expenses account as per AL-272-W. Under AL-272-W, point II.C.(3) (page-11), GOWC proposes to off-set this memorandum account with excess usage surcharges. An extract is shown as below, please answer the following questions:

> ***"During the time period excess usage surcharges were in effect – June 12, 2015 to January 26, 2017 – total excess usage surcharge billed and received totaled***

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$3,391,715. *Sufficient excess usage surcharge exist to offset the conservation Memo Account balance being amortized, resulting in no changes in rates or other charges to vustomers.* ***The remaining balance of excess usage surcharges ($735,304) will continue to be held for futher disposition****."*

(i) Provide recorded monthly balances and calculations of all "Excess Usage surcharges" from the effective date June 12, 2015 in MS Excel format with all formulas intact.

Response: See document attached hereto as GOWC Cal PA-019-19.2.d.(i).

(ii) Did GOWC collect "Excess Usage surcharge" after date Jaunary 26, 2017?

Response: Great Oaks discontinued the levy of excess usage surcharges on January 26, 2017. If excess usage surcharges levied up to January 26, 2017 had not been collected by that date, such surcharges were collected in the customer's next bill.

e. For the following two questions please refer to GOWC's updated Exhibit 6-2 in A.18-07-002 and response to Data Request DR-MC8 in A.15-07-001, where GOWC provided workpaper MC8-001(1), tab "2-A-24 RC - Conservation Memo" showing detailed monthly balances of the Conservation Lost Revenue and Expenses memorandum account.

(i) The **"Adopted Revenue Based on ccf sales"** calculation for the starting month of March 2014, provided under Cell B44 under "GOWC Response to MC8-001(1)" tab "2-A-24 RC - Conservation Memo" does not match with the information provided in GOWC's A.18-07-002 workpaper "Updated Exhibit 6-2" tab "Conservation Memo Acct," Cell B21 for the starting month of March 2014. Please explain the reason and reconcile, if any.

Response: See response to 19.2.b., above.

(ii) GOWC provided the calculation of "Variable Cost – Adopted" from Rows 8 to 21 under tab "2-A-24 RC - Conservation Memo" of workpaper "GOWC Response to MC8-001(1)". Please include and provide the "Variable Cost – Adopted" Calculation for the years 2013/2014 to 2018/2019 for the workpaper "Updated workpaper Exhibit 6-2" in excel format with all formulas intact.

Response: See document attached hereto as GOWC Cal PA-019-19.2.e.(ii).

19.3 Pension Expenses Balancing Accounts (PEBA):

Please refer to GOWC's response to Data Request DR-004-Expenses, Q.4.2.a and GRC decision D.16-05-041, under section 2.6 (pages: 8 to 9) for the following questions:

a. Provide proposed Preliminary Statement with underlining the changes proposed to be made.

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Response: See Great Oaks' Response to ORA Data Request 10.17.b.

b. How many highly-compensated employee(s) does GOWC have? Provide the names of the employees along with their job title(s).

Response: Three: John Roeder, Chief Executive Officer; Timothy S. Guster, Vice President and General Counsel, Legal and Regulatory Affairs; Ron Ceolla, Chief Financial Officer.

c. Does GOWC forecast any retirement(s) of highly-compensated employee(s) within the next 3 years? If yes, provide details.

Response: Yes. It is likely that Great Oaks' Chief Financial Officer will retire within the next three years. Great Oaks has proposed a new employee (Senior Accountant/Controller) to be hired on or about January 1, 2021 to learn the position, assist in preparation of the Company's next General Rate Case Application, and take over the responsibilities of the current Chief Financial Officer after retirement. See Exhibit D, Chapter 5, pages 26 – 27.

d. An extract of previous GRC decision D.16-05-041, under point 2.6 (pages: 8 to 9), is as below:

"..Furthermore, the parties agree that Great Oaks may present other ***options to reduce future pension and/or retirement benefit expenses in its next GRC****,.."*
Does GOWC propose any options undertaken to reduce pension and/or retirement benefit expenses?

Response: No.

e. Provide detailed workpaper of 'Pension Expenses Balancing Account" from July 1, 2016 (effective date) to June 30, 2018 in MS Excel format with all formulas intact.

Response: See document attached hereto as GOWC Cal PA-019-19.3.e.

19.4 Contamination Proceeds Memo A/c:

GOWC provides response to Data request DR-010-Expenses, Q.10.18.a, under workpaper "GOWC OA-010-10.18.a", please refer to tab "2-A-21 RC Contamination Proceed" for the below questions:

a. Provide the invoice copies for the below expenses incurred by GOWC in this account:

Month – Year	Expenses Component	Cell number	Cell description
October – 2014	12,472.53	C61	=12138.45+334.08
February - 2015	697.67	C69	=(296.59+178.36+222.72)

Response: See documents attached hereto as GOWC Cal PA-019-19.4.a and GOWC Cal PA-019-19.4.a(2).

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b. Please explain each numerical expense component identified under "Cell description" in the table above.

Response: $12,138.45 = $2,864.17 (labor expense) + $9,274.28 (outside expense). 334.08 = labor expense. 296.59, 178.36, and 222.72 are all labor expenses.

c. Confirm that the above expenses recorded in Contamination proceeds account in 2014-2015 have not been capitalized nor included in the revenue requirement adopted in GOWC's 2015 GRC nor in GOWC's proposed revenue requirement in the current GRC.

Response: The expenses were capitalized in 2016.

19.5 Explain in brief how the below accounts are calculated, also provide detailed workpapers showing calculations in MS Excel with formulas intact from July 1, 2016 to June 30, 2018:

a. Purchased power balancing account

Response:

Month	Recorded Sales, Ccf	Recorded Power Kwh	Incremental Expense Rate Change $ Kwh	Incremental Revenue Rate Change $/ Ccf	Revenue Component $	Cumulative Revenue Component With Interest $	Expense Component $	Cumulative Expense Component With Interest $	Current Over (Under) $	Commercial Paper Rate %	Current Interest Income (Expense) $	Cumulative Over (Under) With Interest $
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(J)	(K)	(L)	(M)	(N)
	= A2 + A3 Sales		(H)/(C)		(B)x(E)			*L/12*(1+Jup+(*H*(G) *H*H*Jup	*F-H-I		*L/12*(Nup*K/2)	*(G)*(K)

b. Pump tax expenses non-agricultural balancing account

Response:

Month	Recorded Sales, ccf	Allocated Pumping Acre Feet	Incr Exp. Rate Change $/AF	Incr Rev. Rate Change $/ccf	Revenue Component $	Cumulative Revenue Component With Interest $	Expense Component $	Cumulative Expense Component With Interest $	Current Over (Under) $	Commercial Paper Rate %	Interest $	Cumulative Over (Under) With Interest $
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
			H/C		(B)x(E)	(K)/12x((Gup*(F)/2)) *(F)*(Gup	WP-2-A-10 (No + So)	(K)/12x((Gup*(H)/2)) *(H)*(I)	(F)-(H)	WP-2-D-1	K/12*((M)+(J)/2))	(G)-(I)
	WP-2-A-11	WP-2-A-10										

c. Pump tax expenses agricultural balancing account

Response:

Month	Recorded Sales, ccf	Allocated Production Acre Feet	Incr Exp. Rate Change $/AF	Incr Rev. Rate Change $/ccf	Revenue Component $	Cumulative Revenue Component With Interest $	Expense Component $	Cumulative Expense Component With Interest $	Current Over (Under) $	Commercial Paper Rate %	Interest $	Cumulative Over (Under) With Interest $
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
			H/C		(B)x(E)	(K)/12x((Gup*(F)/2)) *(F)*(G)	(C)x(D)	(K)/12x((Gup*(H)/2)) *(H)*(I)	(F)-(H)		K/12*((M)+(J)/2))	(G)-(I)
	WP-2-A-11	WP-2-A-10					WP-2-A-10 (No + So)			WP-2-D-1		

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EXPENSES

19.6 With reference to GOWC's response to Data Request DR-004-Expenses, Q.4.5.a, under MS Excel workpaper 'GOWC ORA-004-4.5.a', GOWC provides transaction details of requested expense accounts. GOWC has recorded transactions of "CIP Expensed" under the following accounts:

From GOWC's response workpaper - 'GOWC ORA-004-4.5.a'		
Accounts	**Work sheet name**	**Row number references**
761 – Maintenance T&D	Acct 761 – FY 2017-2018	67 and 392
765-Maintenance of Hydrants	Acct 765 – FY 2017-2018	4 to 11, 29 to 38, 55 to 63
798-Outsider Services	Acct 798 – FY 2017-2018	53 and 54
795 – Employee P&B	Acct 795 – FY 2017-2018	4

a. What does "CIP Expensed" mean?

Response: "CIP" means "Construction in Progress." "CIP Expensed" means the CIP was expensed (i.e., not capitalized).

b. Explain in brief these recoded transactions.

Response: Account 761: For both rows 67 and 392, labor of $50,955 and $63,822.65, respectively, was transferred to expense account number 761 from CIP job account number 12-114 during the year-end close.

Accounts 765 and 798: The same procedure as described immediately above was employed.

Account 795: Row 4 is the amount of fringe benefits capitalized at year-end (it is a decrease to expense and an increase to fixed assets).

c. Provide supporting documentation of amounts, if available.

Response: Supporting documentation is available, but would not provide you with the necessary explanations. Great Oaks offers to show Cal PA the procedure at Great Oaks' offices whenever convenient for Cal PA.

19.7 In "Exhibit E GRC Workpapers," tab "WP7 – Employee Benefits," GOWC provides the calculation for the employee benefits. Please answer the below questions:

a. Under Column F in Rows 16, 46, and 47, GOWC uses "5.000%" as escalation factors for Dental and vacation time (Holiday and Vacation-other).

(i) Please explain the reason behind using 5.000% as escalation factors for forecasting expenses for TY.

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Response: At the time the supporting calculations for the General Rate Case application were performed, five percent (5.000%) was believed to be a conservative estimate for the increase. Dental insurance costs increased by three percent for 2018 and it is expected to continue to increase. Basic term life insurance (included in the MetLife benefit) increased eight percent. Holiday and vacation expenses are related to salaries, and salary expenses rise 13 percent in 2018/2019, 10 percent in 2019/2020, 6 percent in 2020/2021, and 7 percent in 2021/2022.

b. Under Column F in Row 18, GOWC uses "3.000%" as an escalation factors for Employee Water Reimbursements.

(i) Please explain the reason behind using 3.000% as an escalation factor for forecasting expenses for TY.

Response: At the time the supporting calculations for the General Rate Case application were performed, three percent was believed to be a conservative estimate for the expected increase in the cost of water service.

(ii) Describe in brief the purpose of this expense.

Response: Employee Water Reimbursements are a long-time employee benefit for those employed by Great Oaks if they live in the Great Oaks service area.

c. In Row 34, GOWC included "Bank Charges - Svc Fees & Interest" as part of employee benefit expenses. Under Column F in Row 34, GOWC uses "2.500%" as an escalation factor for forecasting expenses.

(i) Explain the reason why "Bank Charges - Svc Fees & Interest" are included under employee benefits.

Response: A service fee is charged for accounts through which retiree federal and state income tax withholdings can be received from the pension plan's investment bank and then transmitted to the appropriate federal and state agencies.

(ii) Please explain the reason behind using 2.500% as an escalation factor for forecasting expenses for TY.

Response: This is a very moderate estimate of the expected increase (as compared to actual annual increases in the past – 5% for 2013/2014, 10% for 2015/2016, and 23% for 2016/2017.

19.8 With reference to the response provided under DR-010-Expenses, Q10.15.b, GOWC responded with a sample franchise fee calculation and San Jose CA Code of Ordinances for the rate. In the MS Excel workpaper "GOWC ORA-010.10.15.b Franchise Fee Calculation", GOWC provided a sample calculation of the franchise fee for the month of June-2018. Please explain how the below are calculated:

a. City taxable sales

Response: Great Oaks' billing system has been programmed to bifurcate sales as taxable and non-taxable for the City's five percent utility tax.

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b. Miscellaneous service revenue

Response: This is the sum of the $25 reconnect fees.

c. Bad Debt Write-offs

Response: This is basically a "bad debt" expense minus recoveries and, on occasion, other miscellaneous expenses. Note that for the General Rate Case, Great Oaks only uses bad debts and recoveries.

d. Provide the requested details for the recorded years in the below table:

Description	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Total Operating Revenue (in $)	14,798,405	16,578,051	15,324,105	14,305,104	15,356,530	18,538,016
Total City taxable sales (in $)	13,230,977	14,824,524	14,117,180	14,658,880	15,375,251	16,411,802
Total franchise fees paid (in $)	254,608	285,479	271,706	247,535	266,467	316,533

19.9 In reference to GOWC's response to DR-004-Expenses, Q.4.5.a, GOWC provides transaction details of requested expense accounts under MS Excel workpaper "GOWC ORA-004-4.5.a". Please answer the below questions:

From GOWC's response workpaper - 'GOWC ORA-004-4.5.a'		
Accounts	**Work sheet name**	**Questions**
a. Acct 761 – Maintenance T&D	Acct 761 – FY 2017-2018	(i) List the type of expenses incurred under "CitiBank Costco". Response: Credit card purchases for office supplies, IT parts and equipment, tools, operation and maintenance parts and equipment, technician training, testing and certification, auto parts, and more. (ii) Are permit fees paid to City of San Jose in December 21, 2017 duplicated (Rows 283 and 312)? Please reconcile, if necessary. Response: No. See document attached as GOWC Cal PA-019-19.9.a.ii.
b. Acct 773 – Customer Records Maintenance	Acct 773 – FY 2017-2018	(iii) Provide invoice copy of transaction recorded under "Returned item Service Charges" in Row 41. Response: See document attached hereto as GOWC Cal PA-019-19.9.b.iii. (iv) Provide invoice copy of transaction recorded under "Others" – GoDaddy –Annual SSI certificate in Row 451.

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		Response: See document attached hereto as GOWC Cal PA-019-19.9.b.iv.
c. Acct 795 – Employee P&B	Acct 795 – FY 2017-2018	(v) Provide invoice copies for "Actuarial Services Group, Inc" recorded under Rows 663 and 664. Response: See document attached hereto as GOWC Cal PA-019-19.9.c.v. (vi) List type of expenses incurred with "Actuarial Services Group, Inc". Response: Actuarial Service Group, Inc. is the third-party administrator of the pension plan.
d. Acct 799 – Miscellaneous General Expenses	Acct 799 – FY 2017-2018	(vii) Provide invoice copies for the costs recorded under "West Information" (Rows 156 and 157). Response: See document attached hereto as GOWC Cal PA-019-19.9.d.vii. (viii) Provide invoice copies for the costs incurred under "Other" - BLR Personnel Advisor in Rows 200 and 213. Response: See document attached hereto as GOWC Cal PA-019-19.9.d.viii. The monthly expense of $36.16 is the amortization of a prepaid expense.
e. Acct 798 – Outside services	Acct 798 – FY 2017-2018	(ix) Provide Invoice copy of transaction with "Roeder Management LLC" incurred under Row 31. Response: See document attached hereto as GOWC Cal PA-019-19.9.e.ix. (x) Provide detailed list of products/services purchased under this transaction under Row 31. Response: See document attached hereto as GOWC Cal PA-019-19.9.e.ix. (xi) Provide invoices/agreement copy with "CWS Utility Services" recorded under "Water testing" (Row range 80 to 149). Response: See document attached hereto as GOWC Cal PA-019-19.9.e.xi.
f. Acct 805 – Maintenance of General Plant	Acct 805 – FY 2017-2018	(xii) Provide invoice copies of transactions recorded under the names: "Lowe's credit", "Home Depot", "United Rentals" and "Citibank Costco" in Rows 219, 271, 282, 286, and 314. Response: See document attached hereto as GOWC Cal PA-019-19.9.f.xii. (xiii) Provide invoice copies for the costs recorded under "Orchard Business/SYNCB" in Row 162. Response: See document attached hereto as GOWC Cal PA-019-19.9.f.xiii. (xiv) Provide invoice copies of "Power" expenses for "PG&E" recorded from Rows 388 to 395.

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		Response: See document attached hereto as GOWC Cal PA-019-19.9.f.xiv. (xv) Please explain reasons for recording PG&E expenses, shown on Rows 388 to 395, into this account? Response: The charges were inadvertently charged to account 521.002 – non-utility rental income (expense). The charges will be moved to the correct account.

Date: October 1, 2018

/S/

Timothy S. Guster
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Legal and Regulatory Affairs
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VERIFICATIONS

I, Ron Ceolla, am Chief Financial Officer for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to Cal PA Data Request No. 019 and know the contents thereof. I certify that the Responses are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on September 28, 2018.

/S/
Ron Ceolla

ATTACHMENT XII-2: GOWC RESPONSE TO CAL PA DATA REQUEST NO. 004 EXPENSES

GREAT OAKS WATER COMPANY

P. O. BOX 23490
SAN JOSE, CA 95153
(408) 227-9540
tguster@greatoakswater.com

August 9, 2018

Via email to:

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RE: **Great Oaks Water Company Responses to ORA Data Request No. 004 Expenses**

Great Oaks Water Company (Great Oaks) hereby provides its responses to ORA Data Request No. 004 Expenses.

Responses to Data Request No. 004 Expenses

Payroll Expenses:

4.1 Under Exhibit E; WP 10-1 Employees and Salaries: GOWC provides total payroll allocation for the forecasted years

a. From rows: 79 to 115; complete the WP-10-1 with calculations of recorded and adopted years: 2012/13 to 2017/18.

Response: See attached Excel spreadsheet labeled GOWC ORA-004-4.1.a.

b. Explain how "Capitalized percentage (10.60%)" (row: 85) was forecasted for all projected for FTY: 2019/2020.

Response: In D.10-11-034 and D.11-02-003 (Commission Decisions stemming from Great Oaks' 2009 General Rate Case), the Commission adopted a capitalized payroll percentage of 10.6 percent for Great Oaks.[1] In D.13-05-020 (Commission Decision stemming from Great Oaks' 2012 General Rate Case), the Commission adopted the settlement between Great Oaks and ORA, which included the same agreed-upon capitalized payroll percentage as before.[2] In D.16-05-041 (Commission Decision stemming from Great Oaks' 2015 General Rate Case), the Commission adopted the settlement agreement between Great Oaks and ORA, which included the same agree-upon capitalized payroll percentage of 10.6 percent.[3]

In all of these prior Commission Decisions, the capitalized payroll percentage of 10.6 percent has been found to be reasonable and consistent with law. There have been no changes of a material nature in Great Oaks' operations that would result in a necessary change to the capitalized payroll percentage, and Great Oaks requests that in this General Rate Case the same capitalized payroll percentage be agreed upon and/or adopted.

Memorandum and Balancing Accounts:

4.2 Memorandum and Balancing Accounts:

a. Provide account balances for each of the accounts in the table below as on June-30-2018, highlight all duplicate accounts mentioned in the table below, if any.

Response: Great Oaks' responses are provided in the table below. Values preceded by a minus sign (-) indicate an under-collection.

Balancing and Memorandum Accounts	Balance as on June-30-2018
Santa Clara Valley Water District Memo A/c	-$2,803,462.89
City of San Jose Litigation memo A/c	-$16,201.97
Monterey-Style WRAM A/c	-$220,504.04
WCCAM A/c	0
Contaminating proceeds memo A/c	$663,029.64
Catastrophic Event memo A/c	0
Conservation Lost Revenue & Expenses memo A/c	[4]-$2,781,751.71
Credit/Debit Card cost & savings memo A/c	0
LICAP balancing A/c	-$301,099.30
Pension expenses balancing A/c	$3,489.03

[1] *See, e.g.*, D.11-02-003, Appendix A, Table F-1.
[2] *See*, D.13-05-020, at p. 10 and Appendix (Settlement Agreement), at p. 8.
[3] See, D.16-05-041, at p. 10 and Appendix (Settlement Agreement), at pp. 9-10.
[4] Amount shown is before reconciliation process to address ORA protest of Great Oaks' Advice Letter 272-W. This reconciliation process will be completed and will be included in Great Oaks' GRC Updates due August 20, 2018, per the agreement with ORA on scheduling for this proceeding.

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School lead testing memo A/c	0
Drinking water fees memo A/c	0
"Tax Cuts & Jobs Act" memo A/c	0
Pump tax non-agriculture	$758,753.30
Pump tax agriculture	$2,465.39
2009 & 2010 audit costs	Closed per D.16-05-041
2009 GRC DPAD Calc & Mgmt Lbr Alloc To Non-Utility Activity	No such account exists
Multiple Balancing & Memorandum Accts Over (under) collected	0
Multiple Monterey WRAM Balancing Account Over (under) collections	0
Low Income Customer Assistance Program Surcharge (2015 GRC)	-$107,778.26
Recovery of Multiple Balancing and memo Account Over (under) collected	AL 259-W $35,063.87
Santa Clara Valley Water District Litigation Costs	Duplicate – see Santa Clara Valley Water District Memo Account above
Low Income Lost Revenue	Duplicate – see LICAP Balancing Account above
M-WRAM Balancing & Memorandum A/C (under) collection (AL 265-W)	-$208,515.66

b. Provide individual account balances for any additional balancing and memorandum accounts as of June-30-2018.

Response:

Balancing and Memorandum Accounts	**Balance as on June-30-2018**
Purchased Power Balancing Account	-$148,332.24

4.3 Provide detailed calculations, transactions and supporting documentations for the below account in excel format with formulas intact:

a. Conservation Lost Revenue and Memorandum Account.

Response: Note: This response will be updated as part of Great Oaks' overall update to its General Rate Case Application and Exhibits. This update will also directly address ORA's protest of Great Oaks' Advice Letter 272-W. Great Oaks and ORA have agreed that such updates must be submitted on or before August 20, 2018. In the meantime, attached are the excel spreadsheets supporting Great Oaks' Advice Letter 272-W, labeled GOWC ORA-004-4.3a.

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4.4 Explain in brief how and identify where all the related litigation costs with San Jose city, Santa Clara Valley Water District and other litigations with any agencies/parties are recorded in the work papers and is forecasted to be recorded in the projected years?

Response: Objection. This question assumes, without basis in fact, that costs related to litigation with the City of San José and the Santa Clara Valley Water District are recorded in the Exhibit E GRC Workpapers submitted with Great Oaks' Application 18-07-002.

Litigation costs related to the City of San José and the Santa Clara Valley Water District are not recorded in the workpapers (Exhibit E GRC Workpapers), but are instead recorded in the respective memorandum accounts. Litigation costs are not included in rates, nor is Great Oaks requesting that such litigation costs be included in rates in A.18-07-002.

Please note that all litigation is reported in Exhibit I to A.18-07-002.

A&G and O&M Expenses:

4.5 Under Exhibit E; WP 6 Administrative and General Expenses (A&G): GOWC provides the list of all accounts under A&G expenses with its recorded account balances and forecasted amounts.

a. Provide detailed general ledger transactions of the below list of accounts for the recorded fiscal year 2017-18; which at a minimum should consist of: account category, account ID, date, account description, transaction description, debit entry, credit entry, total amount, vendor name/ID, invoice number and notes:

(i) Account 798 – Outside services
(ii) Account 796 – Franchise requirement
(iii) Account 795 – Employee P & B
(iv) Account 799 – Miscellaneous General expenses
(v) Account 700 – Groundwater Charges
(vi) Account 726 – Purchased Power
(vii) Account 773 – Customer Records and Collection expenses
(viii) Account 744 – Chemicals
(ix) Account 761 – Maintenance T&D Mains
(x) Account 805 – Maintenance General Plant
(xi) Account 775 – Uncollectible accounts
(xii) Account 765 – Maintenance Hydrants

Response: See document (Excel Spreadsheet) provided with this response labeled GOWC ORA-004-4.5.a.

Materials and Supplies costs:

4.6 Under Exhibit E; WP 31 Rate Base: GOWC provides information on Average Weighted Depreciated Rate Base for the recorded and forecasted years.

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a. Under row: 35, GOWC does not indicate any recorded or forecasted materials and supplies; indicate how materials and supplies costs are recorded and forecasted.

Response: Materials and supplies to perform water system repairs are purchased, as needed, and expensed.

b. Provide detailed list of account balances which includes materials and supplies costs for all recorded and forecasted years.

Response: See document produced in response to 4.5.a., above. As indicated in the email sent to ORA on August 8, 2018, if other or additional information is required for a response to this data request, please advise.

Objections made in this response are by the undersigned attorney of record for Great Oaks Water Company.

Date: August 9, 2018

/S/

Timothy S. Guster
Vice President and General Counsel
Legal and Regulatory Affairs
Great Oaks Water Company
PO Box 23490
San Jose, CA 95153
Telephone: (408) 227-9540
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VERIFICATIONS

I, Ron Ceolla, am Vice President of Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 004 Expenses and know the contents thereof. I certify that the Responses to data requests 4.1.a., 4.1.b., 4.2.a., 4.2.b., 4.5.a., 4.6.a., and 4.6.b, including the documents produced therewith, are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 9, 2018.

/S/
Ron Ceolla

I, Timothy S. Guster, am Vice President and General Counsel of Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 004 Expenses and know the contents thereof. I certify that the Responses to data requests 4.1.b., 4.3.a., 4.4., and 4.6.b, including the documents produced therewith, are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 9, 2018.

/S/
Timothy S. Guster

ATTACHMENT XII-3: GOWC RESPONSE TO CAL PA DATA REQUEST NO. 010 EXPENSES

GREAT OAKS WATER COMPANY

P. O. BOX 23490
SAN JOSE, CA 95153
(408) 227-9540
tguster@greatoakswater.com

August 31, 2018

Via email to:

Tony Tully, ORA Project Lead
tony.tully@cpuc.ca.gov

Travis Foss, Attorney for ORA
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RE: **Great Oaks Water Company Responses to ORA Data Request No. 010 Expenses**

Great Oaks Water Company (Great Oaks) hereby provides its responses to ORA Data Request No. 010 Expenses.

Responses to Data Request No. 010 Expenses

O&M and A&G Expenses

10.1 Under Exhibit E, WP 4 O&M Expenses; Explain the reasoning for the hard-coded amount of $10,000 (Cell J31) in Projected 2018/2019 for account 765-Maint. Hydrants.

Response: As you can see in Cell F31 on WP4-O&M Expenses of Updated Exhibit E GRC Workpapers, the recorded expense for Account 765 in 2016/2017 was $9,960. This is the value upon which the projected 2018/2019 Account 765 expense is based. There is activity in this account each year, with some of the expenses due to third-party culpability (*e.g.*, auto accident causing damage to a hydrant). Many times, but not always, the expenses due to third-party liability are reimbursed through insurance (*see, e.g.*, Cell I31 for Projected 2017/2018), while

Great Oaks Water Company Responses to ORA Data Request No. 010 Expenses 1

there are also times when the damage is the result of normal wear and tear (*e.g.*, replacement parts) or when there is third-party culpability, but the third party cannot be located (*e.g.*, hit-and-run accident). The value in Cell J31 is hard-coded because it is a simple estimate based upon the $9,960 expense in 2016/2017.

10.2 Under Exhibit E, WP 4 O&M Expenses; In Cell J29, GOWC provides the expense amount of $36,964, which is calculated by a three-year recorded average (Record 2014/2015 to Record 2016/2017) multiplying by the escalation rate. Please explain the reasoning for using this method to forecast Projected 2018/2019 expense amount for account 763-Maint. Services.

Response: Great Oaks believes the method used to project the expenses in Account 763 (as described in the question) is the best available to reflect the current increased maintenance costs for this account.

10.3 Under Exhibit E, WP 6 A&G Expense; GOWC provides information on Account 797-Reg. Comm. Exp:

a. List the types of cost included in account 797-Reg. Comm. Exp.

Response: Rate case costs, emergency response plan preparation/CPUC compliance costs, and selected advice letter costs are included in Account 797.

b. Explain how the amount of $15,000 (Cell J18) for Projected 2018/2019 in account 797-Reg. Comm. Exp. is estimated?

Response: Recorded costs from 2014/2015, 2015/2016, and 2016/2017 are considered to be reasonable estimates for establishing a starting point for the 2018/2019 estimate in Cell J18). Great Oaks also considers expenses in Account 797 for 2016/2017 to be an anomaly. Due to increased Commission activity affecting Great Oaks (including increased level of Rulemaking Proceedings requiring Great Oaks' attention and activity), regulatory expenses are expected to rise rapidly. All of these considerations affected the $15,000 estimate for Account 797 expenses in 2018/2019.

10.4 Under Exhibit E, WP 6 A&G Expense; GOWC provides information on Account 800-Outside GRC Exp:

a. Please provide the Uniform System of Accounts (USOA) description for amounts to be recorded in account 800-Outside GRC Exp provided in line 21.

Response: Account 800 Outside GRC Expenses was created in 2011 to record outside GRC expenses in a single account. Outside GRC Expenses include expenses incurred and projected to be incurred for work by non-employees on General Rate Cases and Cost of Capital Cases. As can be seen on Updated Exhibit E GRC Workpapers, WP6-A&G Expenses, line 21, such expenses occur only during time periods covered by GRC activity, both in preparation and in practice.

b. In Cell I21, GOWC provides the expense amount of $71,073 which is calculated with a formula [(1086.25+790+3088.75+29567.5+1003.75)*2]. Please explain what each of the amount in the formula consist of and provide detail invoices specific to each amount.

Response: As to the first part of the question, the specific amounts represent invoice amounts billed by Great Oaks' expert for its 2018 Cost of Capital Application 18-05-001. As to the second part of the question requesting detailed invoices, Great Oaks objects, as the question calls for the disclosure of certain attorney work product. Without waiving this objection, Great Oaks is producing the requested invoices in a file named GOWC ORA-010-10,4b. All but one invoice being produced has been redacted to remove only attorney work product.

c. In Cell J21, GOWC provides the expense amount of $10,000 which is calculated with a formula 5000*2. Please explain what each of the amount in the formula consist of and provide supporting documentations.

Response: $5,000 was an original estimate for Cost of Capital Application costs for 2018/2019. Due to higher than actual 2017/2018 and 2018/2019 expected costs, the original estimate was doubled.

d. Explain the method GOWC used estimated the cost of 800-Outside GRC Expense for Escalation Year 2020/2021 (Cell L21) and Attrition Year 2021/2022 (Cell M21).

Response: Great Oaks estimated that the total outside costs for its 2021 General Rate Case and Cost of Capital Applications (shown in both 2020/2021 and 2021/2022, Cells L21 and M21) would be approximately $10,000 more than outside costs for those two proceedings in 2018. The 2018 Account 800 expenses are estimated to be $81,073 ($35,536 in 2017/2018 and $45,536 in 2018/2019). The Account 800 expenses for the 2021 Cost of Capital and General Rate Case Applications and proceedings is also estimated to be $81,073 ($71,073 in 2020/2021 and $10,000 in 2021/2022.

10.5 Account 811-Rents:

a. In Settlement Agreement, A.15-07-001, "The Parties agree to $210,362 for Rent Expense beginning in Test Year 2016/2017. The Parties further agree this item will not be escalated during any of Great Oaks' escalation or attrition filings in order to maintain a straight-line annual amount of $210,362 for each year of this GRC.[1]"

Has GOWC escalated the adopted Rent Expense amount of $210,362 in Escalation Year 2017/2018 and Attrition Year 2018/2019 filings since the last GRC? If yes, provide the escalated amount for Escalation Year 2017/2018 and/or Attrition Year 2018/2019.

Response: No. In the proceedings on A.15-07-001, ORA objected to Great Oaks' use of a straight-line monthly expense of $18,209.67 and insisted that Great Oaks use cash payments because they were less than produced by the straight-line method. The issue was resolved by an agreement between Great Oaks and ORA to use the cash payment method. It now appears that

[1] *See,* A.15-07-001, at p. 8

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ORA is questioning use of the cash payment method it insisted upon and to which the parties agreed in the settlement of A.15-07-001.

Note: Rent expenses for 2017/2018 are based upon cash payments, including CAM increases, while rent expenses for 2018/2019 are based upon projected cash payments, including CAM increases.

b. Explain how GOWC estimated rent expenses for Projected 2017/2018 through Attrition Year 2021/2022 (Cell I23 to M23).

Response: Rent expenses for each year are based upon actual or projected cash payments, plus applicable CAM increases per Great Oaks' agreement with ORA in A.15-07-001. This is the method agreed to by Great Oaks and ORA in the 2015 GRC.

c. Provide GOWC's current rental agreements.

Response: The applicable agreements (which were provided to ORA in A.15-07-001) are provided in a file attached hereto as GOWC ORA-010-10.5a.

d. Provide detailed general ledger transactions of account 811-Rents below for the recorded fiscal year 2017-18; which at a minimum should consist of: account category, account ID, date, account description, transaction description, debit entry, credit entry, total amount, vendor name/ID, invoice number and notes in Excel format.

Response: See document provided with this response labeled GOWC ORA-010-10.5d.

10.6 Under WP-6 A&G expenses: GOWC mentions 50% passive income ratepayer credit. In GOWC's Results of Operation under Chapter 3 Company Operations and basic information, under point V, GOWC states the following:

> *"Since then, such revenues have been used to reduce the Company's operating expenses in the correct proportion, with* ***thirty percent of all such revenues going to the benefit of ratepayers****."* (Emphasis added)
>
> **a.** Please reconcile percentage and the amount.

Response: The statement in Chapter 3 contains an inadvertent typographical error. It should say "fifty percent," rather than "thirty percent." As shown in Updated Exhibit E GRC Workpapers, WP6-A&G Expenses, Cell I25, the value represents 0.5X the expected income in this category for 2017/2018. That amount is simply reproduced for the next four years.

10.7 In the previous general rate case; the decision (D.16-05-041, page:7) states the following:

> *"3.5.1 WaterSmart Pilot Program*

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...The Parties further agree that Great Oaks will present full and detailed results of the WaterSmart pilot program in its next GRC for ORA's evaluation ***if Great Oaks plans on seeking additional ratepayer funds for the WaterSmart water conservation program****."* (Emphasis added)

a. Is GOWC requesting to seek additional ratepayer funds for the WaterSmart Consecration program in the current GRC?

Response: It is believed the question is asking about the WaterSmart *Conservation* Program.

Yes. Great Oaks is requesting that the WaterSmart program continue to be funded through rates.

b. Provide total number of customers in the WaterSmart Pilot Program.

Response: Initially, the WaterSmart Pilot Program included 10,000 single-family residential customers. After the completion of the Pilot Program (i.e., when the WaterSmart Program was included in rates in the 2015 GRC), all Great Oaks customers were included, beginning July 1, 2016. All customers are still participants in the Program.

c. Provide list of all actual expenses incurred for WaterSmart Pilot program (should include detailed recorded trial balances at a minimum).

Response: For the time period from November 15, 2014 to June 30, 2016, Great Oaks paid a total of $78,493.15 for the WaterSmart Pilot Program. The first payment covered the time period from November 15, 2014 to February 15, 2016 ($120,000 minus the $60,000 reimbursement from the Santa Clara Valley Water District). The second payment covered the time period from February 15, 2016 to June 30, 2016 ($100,000 minus the $50,000 reimbursement from the Santa Clara Valley Water District – amount then pro-rated for the 135 days from February 15, 2016 to June 30, 2016). See Exhibit D Report on Results of Operations, Chapter 6 Revenue Requirement: Water Sales and Production, page 4.

d. To the extent not identified in GOWC's response to (b) above, to whom was the payment made, to conduct WaterSmart Pilot Program? (should include invoices, agreement at a minimum).

Response: Payments were made to WaterSmart. See documents attached as GOWC ORA-010-10.7d.

10.8 Under Exhibit D, Chapter 9; GOWC briefs the cost recording of the WaterSmart program. GOWC requests to expand WaterSmart program to all single-family residential users and as appropriate, other customer classes as well. An extract of the chapter 9 shown as below:

*"****Annual costs for renewal of the program are $105,658*** *and are included in Account 798 (Exhibit E GRC Work papers, WP-6 Administrative and General Expenses."* (Emphasis added)

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a. GOWC provides annual cost of program renewal of *"$105,658"*

(i) Explain in brief how annual cost was forecasted, provide supporting documentation.

Response: See document attached hereto as GOWC ORA-010-10.8a.

(ii) Explain in brief the types and list of costs involved.

Response: See document attached hereto as GOWC ORA-010-10.8a.

10.9 Under Exhibit D, Chapter 5; GOWC has stated that the estimated cost for the Credit Card Program is $51,976.34. An extract from its Exhibit D: Results of Operation - Chapter 5 is as below:

*"29. Estimating the expenses of the **credit card pilot program** is an inexact science, and for that reason, the Company requests that a **balancing account** be established to record for future recovery the differences between expenses of the program included in rates and the actual expenses incurred by the Company associated with the program."*

And

*"31. The **credit card payment program** is **estimated to cost $51,976.34** in the Test Year. Cost estimates for the Escalation and Attrition Years are provided in Exhibit 5-3."* (Emphasis added)

a. Please explain the difference between the two mentioned programs "Credit Card Pilot Program" and "Credit Card Payment Program", if any.

Response: The current "Credit Card Payment Program" was authorized by the Commission in Resolution W-4979, issued October 16, 2014. The essential difference between the current Credit Card Payment Program and the proposed "Credit Card Pilot Program" is that the current program charges each customer using a credit card a "convenience fee" of either $1.95 or $2.95 per transaction (based upon how the customer chooses to use a credit card), while the proposed "Pilot" program would not have convenience fees. Instead, costs of the proposed "Pilot" program would be recorded and incorporated into rates (but not included in rates for customers participating in Great Oaks' Low-Income Customer Assistance Program (LICAP)). For a complete description, please see Updated Exhibit D, Chapter 5 Operating Expenses, at pp. 29 – 31.

b. Explain how "$ 51,976.34" was estimated as the cost for Credit Card Payment Program for the TY 2019-2020.

Response: See Exhibit 5-3, which is part of the Exhibit D Report on Results of Operations. Heartland Payment Systems (Heartland) provided the projected costs. Heartland is the current provider of the credit card payment service for Great Oaks.

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c. Provide details for the years: 2013/14, 2014/15, 2015/16; 2016/17; 2017/18; for the following:

d. **(i)** Number of bills payed with credit cards
(ii) Number of LICAP customer bills that were paid by credit card

Response: See the information in the table below.

Year	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
10.9.c.(i)	0	0	4,516	13,236	16,471
10.9.c.(ii)	0	0	739	2,231	2,820

(iii) Total fees paid.

Response: As Great Oaks does not collect, receive, or record convenience fees paid by customers, it is believed that this question is asking whether Great Oaks paid any fees related to the credit card program. The answer to this question is yes, because if a customer paid with a debit card and the transaction was rejected (due to insufficient funds), Great Oaks was assessed a charge (even though Great Oaks did nothing even remotely wrong). For these fees, see document attached hereto as GOWC ORA-010-10.9.c.(iii) (iv).

(iv) A list detailing all fees charged by credit card company.

Response: See response above and the document attached hereto as GOWC ORA-010-10.9.c.(iii) (iv).

10.10 The PUC Code 755.5 (d), states the below:

"(d) The commission shall require a water corporation that is operating a pilot program to notify its customers that the water corporation is participating in a pilot program and that the pilot program may not continue, pending an assessment of the costs and benefits of the pilot program to customers."

a. Provide a sample notice sent to customers.

Response: Great Oaks has not created a draft notice, as none is required until Great Oaks is "operating a pilot program" or at least authorized to do so.

10.11 Under Exhibit E, WP: 6; GOWC provides all administrative and General expense accounts. GOWC estimates the following for FTY 2019-2020:

a. 798 – Outside services ---------- $ 496,618

In the Cell K20, GOWC provides the amount of $ 496,618, which is calculated with a formula (J20*(1+$L$36))+(197264-102559.23)+(105658-90396.59)+51976.34.

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Please explain what each amount in the formula consists of and how it was developed.

Response:

- (1+$L$36) – this portion of the formula actually reads (1+$L$34) and it represents the use of escalation factor in Cell L34.
- $197,264 – projected water quality compliance costs for 2019/2020. See Updated Exhibit D, Chapter 3, pp. 4 – 6.
- $102,559.23 – water quality compliance costs for 2016/2017. Note: ($197,264-$102,559.23) represents an adjustment amount.
- $105,658 – WaterSmart annual fee for 3-year contract.
- $90,396.59 – WaterSmart cost for 2017/2018. Note: The total adjustment of $15,261.41 provides the correct amount for 2019/2020.
- $51,976.34 – Projected costs of the Credit Card Pilot Program (see Exhibit 5-3).

b. 799 – Misc. Gen. Exp. ---------- $ 230,013

In the Cell K21, GOWC provides the amount of $ 496,618, which is calculated with a formula (J21*(1+$L$36))+(75188*0.7). Please explain what each amount in the formula consists of and how it was developed.

Response: It is believed that this question relates to the Account 799 projected Test Year amount of $230,013, rather than the $496,618 in the question. It is also believed the Cell being referenced should be K20 – Account 799 Misc. Gen. Exp., rather than K21. Based upon these beliefs, Great Oaks responds as follows:

- J20 – refers to Cell J20: Projected 2018/2019 Account 799 expenses.
- (1+$L$34) – use of escalation factor in Cell L34.
- $75,188 – represents Great Oaks' costs for membership in the California Water Association (CWA) for the Test Year.
- 0.7 – represents the portion of the CWA expenses included in rates (i.e., 70 percent).

10.12 Under Exhibit-E, WP4 - O&M Expenses; GOWC has provided recorded and forecasted costs of Account 775 - Uncollectible Accts. In Exhibit-E, WP45 - TY 2019-2020 Sales & Rvn, in columns K to R; GOWC has provided different costs of Uncollectible for the recorded years. An extract from each WP is shown as below:

Uncollectible	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
WP-4		24,105.50	20,101.94	26,700.18	21,805.38	79,940.31
WP-45	28,369.76	35,213.03	31,163.36	36,365.17	28,417.68	38,676.10

a. Please reconcile the above data and provide actuals of uncollectible Account for all recorded years, if different.

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Response: Actual uncollectible expenses are on WP-45. This is the net of bad debt write-offs minus recoveries. Account 775 also includes closing balance credits and stale checks, which have since been reclassified to unclaimed property. The non-taxable portion of bad debt is generally included in Account 775 on the Income Statement.

For the purpose of calculating, projecting, and reporting actual net bad debt expense, only the net of bad debt expense minus recoveries is used. The more general Account 775 balance still includes the non-taxable portion of bad debt for reporting consistency (but not included in net uncollectibles).

10.13 Under Exhibit-E, WP45 - TY 2019-2020 Sales & Rvn; GOWC provides calculation of sales, revenue and uncollectibles.

a. Explain why GOWC has included CPUC surcharge in calculating uncollectibles for the TY 2019-2020.

Response: The Public Utilities Commission Utilities Reimbursement Account (PUCURA) fee is collected from customers as a line item and transmitted to the California Public Utilities Commission. If a customer defaults on a bill, that customer also defaults on the PUCURA fee. It is therefore included in bad debt expense.

10.14 Under Exhibit E, WP- 14 Pump taxes, GOWC shows the recorded and forecasted pump tax expenses. Under rows 22 to 25, GOWC provides pump tax rate calculations.

a. Explain how the pump-tax rates were calculated for TY 2019/2020.

Response: Great Oaks used the Santa Clara Valley Water District's projected pump tax rates for the July 1, 2019 to June 30, 2020 time period.

b. Provide supporting documents for the pump tax rate calculated for the year 2017/18, 2018/19 and 2019/20. (should include invoices, agreement at a minimum).

Response: See documents attached as GOWC ORA-010-10.14b. The documents for 2017/2018 and 2018/2019 are Santa Clara Valley Water District Board Resolutions establishing the pump tax (groundwater charge) rates for those year. The document for 2019/2020 is an excerpt from the Santa Clara Valley Water District's 2018 Protection and Augmentation of Water Supplies Report.

c. Please send the pump tax invoice and payment information for C/Y 2017/2018 (July 1, 2017 to June 30, 2018) using the table below:

Response:

Invoice Date	Invoice Amount	Service Period	Payment Date	Payment Amount
8/1/2017	$968,564.81	July 2017	8/25/2017	$968,564.81
9/1/2017	$949,629.67	August 2017	9/21/2017	$949,629.67

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10/1/2017	$878,896.91	September 2017	10/20/2017	$878,896.91
11/1/2017	$738,162.80	October 2017	11/21/2017	$738,162.80
12/1/2017	$435,368.11	November 2017	12/19/2017	$435,368.11
1/1/2018	$377,600.95	December 2017	1/23/2018	$377,600.95
2/1/2018	$315,780.77	January 2018	2/16/2018	$315,780.77
3/1/2018	$364,095.84	February 2018	3/20/2018	$364,095.84
4/1/2018	$342,700.03	March 2018	4/20/2018	$342,700.03
5/1/2018	$442,234.22	April 2018	5/22/2018	$442,234.22
6/1/2018	$742,989.37	May 2018	6/19/2018	$742,989.37
7/1/2018	$889,889.73	June 2018	7/17/2018	$889,889.73

d. Provide supporting invoice copies for the above transactions for C/Y 2017/2018 (July 1, 2017 to June 30, 2018)

Response: The Santa Clara Valley Water District does not send invoices for pump taxes/groundwater charges. See documents attached hereto as GOWC ORA-010-10.14d for Great Oaks' calculations for the pump taxes shown in the table above.

10.15 Exhibit E, WP-42, GOWC provides Test Year 2019-2020 Summary. Under Cell E-41 GOWC provides the calculation of the franchise requirements. GOWC calculates the franchise requirement as 2% of forecasted total revenue.

a. Explain how the percentage was forecasted.

Response: The franchise fee is established in the City of San José Municipal Code Section 15.40.410.

b. Provide supporting documents for the percentage (should include invoices/agreements at a minimum).

Response: The City of San José does not send invoices for its franchise fees. See documents attached as GOWC ORA-010-10.15b (includes both City of San José Municipal Code Section and a sample franchise fee calculation).

Balancing and Memorandum Accounts (BAMA)

10.16 Provide a pdf document of GOWC's currently effective preliminary statement identifying all memorandum and balancing accounts listed in GOWC's response to DR-004-Expenses Q.4.2.a and Q.4.2.b.

Response: All of the requested pages from Great Oaks' Preliminary Statement are available on Great Oaks' website (www.greatoakswater.com). See attached documents labeled GOWC ORA-010-10.16. Note: The Purchased Power Balancing Account, Groundwater Charges, Other than Agricultural Irrigation Balancing Account, and Groundwater Charges, Agricultural Irrigation Balancing Account are all established under the authority of Public Utilities Code Section 792.5.

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10.17 Pension Expense Balancing Account (PEBA):

Under Exhibit D, Chapter 5, GOWC mentions the below:

"The Company requests that the terms and conditions of this balancing account be modified so that amounts the Company is required to pay upon the retirement or change in employment status of an employee are fully considered and properly reflected in costs."

a. Provide detailed calculations of "Pension Expenses Balancing Account (PEBA)" for the years: 2015/16, 2016/17and 2017/18, in excel sheet with formulas intact. Information provided should include all entries made during the time period with dates of entry.

Response: Please note that the effective date for the Pension Expense Balancing Account is July 1, 2016. See document attached as GOWC ORA-010-10.17a.

b. Detail the terms and conditions that GOWC requests to be modified.

Response: Great Oaks is requesting to include any additional contributions it is required to make to the Pension Plan in the event of a lump-sum distribution to a retiring highly-compensated employee, as in such event, the Plan is required to be funded at 110% after the lump-sum distribution.

10.18 Contamination Proceeds Memorandum Account:
Under Exhibit D, Chapter 3, GOWC proposes to amortize the balance in contamination proceeds memorandum account, an extract of the Chapter shown below:

"The Company therefore proposes that one hundred percent (100%) of the net contamination proceeds (i.e., the entire balance in the Contamination Proceeds Memorandum Account) be apportioned to the shareholders. Great Oaks also proposes that the entire amount be utilized for future additions to plant and that it use such funding for additions before any other capital and/or debt contributions to plant."

a. Provide the calculation of "Net Proceeds" of Contamination Proceeds Memorandum Account, in excel sheet with formulas intact.

Response: See document attached hereto as GOWC ORA-010-10.18a.

b. Please detail the factors and all considerations made in proposing 100% allocation to shareholders.

Response: Please see Exhibit D, Report on Results of Operations, Chapter 3, Section IV. Disposition of Balance in Contamination Proceeds Memorandum Account, at pages 11 – 15.

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c. Does GOWC acknowledge that ratepayers were at potential risk for funding expenses tracked in this account if NO damages or proceeds had been awarded? Please explain the answer.

Response: Objection. This is a hypothetical question and one that appears to be based upon a misunderstanding about the Contamination Proceeds Memorandum Account. Without waiving this objection, the answer is no. By the terms of the account, its purpose "is to account for funds received by the Utility in the form of damage awards and settlements from parties responsible or allegedly responsible for contamination of the Utility's water supply and/or plant in service." If no damages or proceeds had been awarded, there would be nothing to record in the Contamination Proceeds Memorandum Account.

10.19 Complete the below table to identify what amount of each memorandum and balancing accounts balances identified in GOWC response to DR 004-Expenses Q.4.2.a and Q.4.2.b is included the balance shown of Regulatory Assets under Schedule A-19; Account 133 – Other Current and Accrued Assets of GOWC's 2017 Annual Report to the CPUC. Please separately identify any amounts that have been recorded as Regulatory Assets in any GOWC's presentations other than that presented in GOWC's Annual Reports to the CPUC.

Balancing and Memorandum Accounts	**Balance as on June-30-2018 (in $)**	**Part of Regulatory Asset (in $)**
Santa Clara Valley Water District Memo A/c	-$2,803,462.89	
City of San Jose Litigation memo A/c	-$16,201.97	
Monterey-Style WRAM A/c	-$220,504.04	
WCCAM A/c	0	
Contaminating proceeds memo A/c	$663,029.64	
Catastrophic Event memo A/c	0	
Conservation Lost Revenue & Expenses memo A/c	-$2,781,751.71	
Credit/Debit Card cost & savings memo A/c	0	
LICAP balancing A/c	-$301,099.30	
Pension expenses balancing A/c	$3,489.03	
School lead testing memo A/c	0	
Drinking water fees memo A/c	0	
"Tax Cuts & Jobs Act" memo A/c	0	
Pump tax non-agriculture	$758,753.30	
Pump tax agriculture	$2,465.39	
2009 & 2010 audit costs	Closed per D.16-05-041	
Multiple Balancing & Memorandum Accts Over (under) collected	0	

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Multiple Monterey WRAM Balancing Account Over (under) collections	0	
Low Income Customer Assistance Program Surcharge (2015 GRC)	-$107,778.26	
Recovery of Multiple Balancing and memo Account Over (under) collected	AL 259-W $35,063.87	
Santa Clara Valley Water District Litigation Costs	Duplicate – see Santa Clara Valley Water District Memo Account above	
Low Income Lost Revenue	Duplicate – see LICAP Balancing Account above	
M-WRAM Balancing & Memorandum A/C (under) collection (AL 265-W)	-$208,515.66	
Purchased Power Balancing Account	-$148,332.24	

Response: None. Great Oaks does not include any portion of any memorandum or balancing accounts in Schedule A-19, Account 133.

Objections to ORA 010 have been made by the undersigned counsel of record.

Date: August 31, 2018

/S/

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VERIFICATIONS

I, Ron Ceolla, am Chief Financial Officer for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 010 Expenses and know the contents thereof. I certify that the Responses to are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 31, 2018.

/S/
Ron Ceolla

I, Timothy S. Guster, am Vice President and General Counsel for Great Oaks Water Company. I have read Great Oaks Water Company's Responses to ORA Data Request No. 010 Expenses and know the contents thereof. I certify that the Responses are true of my own knowledge, except as to matters as are therein stated to be true upon information and belief, and as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing statements are true and correct.

Executed at San Jose, California on August 31, 2018.

/S/
Timothy S. Guster

ATTACHMENT XII-4: DIRECT TESTIMONY OF JOHN TOOTLE

U. Allocation of MTBE Litigation Proceeds

Direct Testimony of John Tootle

In accordance with California Public Utilities Commission (Commission) Decision (D.) 11-03-043 dated April 3-29-2011, California Water Service (Cal Water) request Commission authorization to terminate, to close and to allocate "Net Proceeds" remaining in its MTBE Litigation Memorandum Account (MTBEMA) in accordance with Commission Decision D.10-10-018, dated 10-14-2010.

BACKGROUND:

(Non Confidential or Privileged. Except As Noted)[10]

1. MTBE (methyl tertiary butyl ether) is a compound blended into gasoline. In the mid-1980s gasoline refiners in California used MTBE to boost octane and increase oxygen content. Unfortunately, groundwater in California, and across the country, became contaminated with MTBE due to releases of gasoline into the environment.
2. February 2000, California established a binding Maximum Contaminant Level (MCL) for MTBE: 13 parts per billion (ppb) based on MTBE's adverse health effects, and 5 ppb based on MTBE's noxious aesthetic effects. In general, California prohibits public water suppliers like Cal Water from delivering water that contains MTBE at levels greater than either of these. In addition, many experts have concluded that significant portions of the public can detect MTBE's taste and odor at levels of 1 ppb or even lower.
3. In 2005, the Cal Water filed a lawsuit in California Superior Court to recoup its MTBE-related damages, *California Water System Company v. Atlantic Richfield Co., et al.* (San Mateo County Superior Court No. CIV 443990). The complaint asserted numerous claims, including product liability design defect and failure to warn, negligence, nuisance, trespass, and others. The action focused on the manufacturers of MTBE, as well as the large, vertically integrated oil companies who made the decision to use MTBE instead of other available alternatives (MTBE Litigation).
4. In accordance with Resolution No. W-4094, dated March 26, 1998,Cal Water filed with the Commission for a memorandum account to track MTBE Litigation costs and

[10] Disclosure of certain information contained herein may have an adverse effect on Cal Water's ongoing contamination litigation.

recovered proceeds associated with MTBE Litigation (herein referred to as the MTBEMA), which was authorized under Advise Letter #1701, filed February 2, 2005, effective August 15, 2005..

5. In 2008, Cal Water and other plaintiffs entered into a two-part settlement with 12 defendants and their related corporate entities (Settlement). The lawsuit still remained pending against three other defendants, Exxon Mobil Corporation, Lyondell Chemical Worldwide and Kern Oil Company. Under initial Settlement (Part One) Cal Water received $49,716,872 for damages by MTBE contamination to 27 wells occurring through April 11, 2008. After deducting attorney's fees and incurred litigation costs, the net proceeds available were $34,216,907 that may be subject to deduction of State of California grant funds, applicable taxes, and future litigation costs.

6. Under second part of Settlement (Part Two) Cal Water may receive future payments for damages by MTBE contamination occurring in other wells during a 20-year period commencing after April, 2008. Cal Water had approximately 786 wells, which potentially would be subject to Part Two, none of which had experienced MTBE detection as of April 11, 2008.

7. On May 7, 2009, Cal Water settled on advice of outside counsel with Lyondell Chemical Worldwide and received its proportional share approximately of $53,000.

8. On July 8, 2009, Cal Water filed Application No. (A.) 09-07-011 requesting the Commission to determine the allocation of net proceeds from a groundwater contamination lawsuit in accordance with prior Commission Decisions D.07-04-046 and D. 06-5-041.

9. The assigned Commissioner's Ruling and Scoping Memo bifurcated the proceeding into two phases and also noted that there were two other Commission proceedings, Rulemaking (R.) 09-03-014 (Contamination proceeds) and Application A. 09-07-001 (Cal Water General Rate Case (GRC), which were relevant to the A. 09-07-011 proceeding.

10. On April 26, 2010, the Commission issued its Decision for Phase 1, D. 10-04-037. The decision adopted a settlement reached between Cal Water and Division of Ratepayer Advocates (DRA). The Commission Decision ordered Cal Water to amend its MTBEMA to track the use of funds to construct treatment and replacement facilities. All funds, subject to specific contingencies, would be available for investment or other purposes shall be used for the construction or purchase of MTBE treatment and replacement facilities. Finally, Cal Water will have to bear the burden, to track amounts

and recovery of the recorded costs, to show that the adjustments are reasonable, that separate recovery of the types of costs recorded in the account is appropriate, that it acted prudently when it incurred the costs and that the level of costs is reasonable.

11. On October 14, 2010, the Commission issued its Decision D.10-10-018 and on December 16, 2010 its Decision D. 10-12-058, which set forth Commission's policies, a framework for analysis, rules and proposed rules to govern the accounting and ratemaking treatment for damage awards following contamination of its water supply and loan programs. The Commission Decision concludes that proceeds from damage awards and settlements that fund replacement plant should be treated as CIAC rather than being included in rate base and earning a rate of return. Proposed rules for accounting treatment of damage awards and settlements were included. The decision defined "Net Proceeds" as:

> Gross proceeds received minus all (1) reasonable legal expenses related to litigation, (2) costs of remedying plants, facilities, and resources to bring the water supply to a safe and reliable condition is accordance with General Order 103-A standards, and (3) all other reasonable costs and expenses that are the direct result and would not have to be incurred in the absence of such contamination, including all relevant costs already recovered from ratepayers (for which they have been or will be repaid or credited.

In Appendix D, Commission lists factors to inform the allocation of Net Proceeds, which include Contamination Occurrence, Impact and Response, Cost and Damage Recovery Efforts, Claims and Events.

12. On March 29, 2011, the Commission issued its Decision D.11-03-043, Deferring Remaining Issues to a General Rate Case (GRC) and Closing Proceeding A.09-07-011.

13. [CONFIDENTIAL & PRIVILEGED] [redacted]

14. [redacted]

(Non Confidential or Privileged)

17. The Settlement did not dictate how the cash funds may be spent by Cal Water to remediate MTBE. Cal Water sought to maximize the ratepayer benefit of Net Remitted Proceeds by electing to defer the gain (recognition of income) on Net Remitted Proceeds pursuant to Internal Revenue Code Section 1.1033 (herein "Code"). Under the Code's definition of replacement property, Cal Water used proceeds to construct sources of water supplies in tax years shown on Exhibit "C." The Internal Revenue Service (IRS) has audited Cal Water Income Tax Return for tax years through 2012 and specifically looked at Cal Water's tax treatment of Net Remitted Proceeds. IRS found no audit adjustments and the filed auditor approved the extending the replacement period to 2013 tax year. By taking this aggressive tax position, Cal Water avoided having to pay taxes at federal and state statutory income tax rates on Net Remitted Proceeds. At federal income tax rate of 35% and California income tax rate of 8.84%, Cal Water saved an additional $13,371,000, which would have gone to pay federal and state income taxes, to be invested in capital, MTBE projects. Overall, Cal

Water will have reduced its revenue requirements in the MTBE affected districts by approximately $2,208,000 per year, saving ratepayers annually associated with this aggressive tax position.

18. With essentially all Net Remitted Proceeds available, Cal Water used the funds to construct wells, treatment facilities, or pursue alternative water supply facilities and necessary appurtenances to replace properties and facilities to remediate MTBE in affected districts. As shown in Exhibit "D," Cal Water has recorded Contributions In Aid of Construction (CIAC) for identified MTBE capital projects within affected districts in its 2009, 2012 and 2015 GRCs. In total, CIAC accounts will have been credited $28,558,000, prior to the proposed sharing of "Net Proceeds." Cal Water will have reduced its revenue requirements in the MTBE affected districts by approximately $4,717,000 per year, saving ratepayers annually prior to the proposed sharing of 'Net Proceeds."

FACTORS TO INFORM THE ALLOCATION OF NET PROCEEDS

(Non Confidential or Privileged, Except As Noted)

19. In D. 10-10-018 Appendix D, the Commission set forth factors to inform the allocation of "Net Proceeds" between ratepayers and shareholders. Based on these factors, Cal Water believes that the remaining balance of "Net Proceeds" should be allocated between Cal Water shareholders and ratepayers on a 75%/25% split.

The following lists Commission Decision D.10-10-018 factors and Cal Water's positions, its actions and most importantly the favorable and beneficial results for ratepayers:

Contamination Occurrence, Impact and Response:

20. D. 10-10-018 (Appendix D, 1A) Health threat, anxiety and toxic exposure: As in Paragraph 4, above, California Department of Public Health (CDPH), now State Water Resources Control Board (SWRCB), Division of Drinking Water (SWRCB-DDW) issued MTBE MCL. The health threat, anxiety and toxic exposure is well documented with known findings by SWRCB, US EPA and University of California, which prompted the banning of MTBE additives to protect groundwater.[11]

[11] The Health threat, anxiety and toxic exposure is discussed in SWRCB Division of Water Quality Groundwater Ambient Monitoring and Assessment Program Information Sheet MTBE Revised July 8, 2010. MTBE behaves differently than other gasoline components when released to soil and groundwater, with pernicious effect. MTBE

21. D. 10-10-018 (Appendix D. 1B) Well closures; interruption of supply: By 2007, MTBE had reached 27 of Cal Water's wells, in 8 of Cal Water's Districts throughout California. Cal Water had taken out of use 10 of these wells because concentrations exceeded the MCL levels; concentrations in the other 17 wells ranged from just below the MCL to trace levels.

22. D. 10-10-018 (Appendix D. 1C) Obtaining Replacement Property: Cal Water did not delay compliance action, but took preemptive action. Knowing that an MCL would be

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reaches the subsurface via leaks from tanks, pipes, and spills at gas stations and other facilities. As the United States Environmental Protection Agency ("US EPA") explained:

"Unlike other components of gasoline, MTBE dissolves and spreads readily in the groundwater underlying a spill site, resists biodegradation, and is difficult and costly to remove from groundwater. Low levels of MTBE can render drinking water supplies unpotable due to its offensive taste and odor. At higher levels, it may also pose a risk to human health."

Virtually all gasoline refined and sold in California between 1995 and January 2004 (when the State ban became effective) contained MTBE. Refiners started using MTBE in the United States in late 1979; it was first introduced in California in 1986. By 1992, most California gasoline contained MTBE; starting in 1995, virtually all Southern California gasoline did; and from 1996 through 2003, virtually all gasoline statewide contained MTBE at about 10% by volume. A November 1998 report submitted by the University of California to the Governor summarized MTBE's use as follows:

"The use of MTBE in California ... is not mandated by state regulations, but MTBE has become the oxygenate of choice among the state's refiners, mostly due to economic considerations. MTBE was first used in U.S. gasoline in 1979, primarily in premium grades of gasoline at levels of 2 to 3%, as an octane booster and replacement for lead in gasoline. Currently, MTBE constitutes approximately 11% by volume of California gasoline. Statewide, about 100,000 barrels of MTBE are consumed each day. MTBE has been used at these levels since June 1996 ...."

Widespread use of MTBE has come at a high price to the Nation's and the State's groundwater. As the US EPA concluded, MTBE's use by refiners has "caused widespread and serious contamination of the nation's drinking water supplies." Because of concern over the threat to the Nation's groundwater, the federal government in 2000 indicated its intent to eliminate or limit the use of MTBE in gasoline. The State of California had previously ordered an end to MTBE use in this State by the end of 2003, finding that "there is significant risk to the environment from using [MTBE] in gasoline in California."

forthcoming, Cal Water in Bakersfield used and pursued an alternative supply approach, constructing a surface water treatment plant, which was the most expedited means to remedy the large number of affected Bakersfield wells by MTBE. Cal Water expended funds prior to the Settlement. Cal Water was never out of compliance with the MTBE MCL nor did Cal Water have to request any special regulatory exemptions.

23. D. 10-10-018 (Appendix D. 1E) Property and water right diminution: The cash portion of the Settlement compensates the Company for the settling defendants' share of damage to the Company's "usufructuary" property interest in the contaminated water in its 27 wells that have experienced MTBE contamination. In California the right to appropriate water has long been considered a possessory real property interest. (E.g., Wright v. Best (1942) 19 Cal.2d 368, 382.).[12] Groundwater is Cal Water's primary water supply in California, and, as such, Cal Water has invested a significant portion of its capital investment in groundwater production; pumping, treatment and delivery facilities. The damage caused by MTBE contamination to groundwater interfered with Cal Water's right to pump said groundwater and consequently rendered Cal Water's facilities no longer useful, either necessitating replacement or requiring additional investment treatment facilities to continue usage of use existing facilities.

24. D. 10-10-018 (Appendix D. 1F) Diversion and straining of resources for response: See Cal Water's positions and actions described in Paragraphs 21 and 22 above. Also, see Cal Water Memorandum Tracking Account, Exhibit "E."

25. D. 10-10-018 (Appendix D. 1G) Cash Flow and capital demands of response: See Cal Water's positions and actions are described in Paragraphs 21 and 22 above as well as set forth in Exhibits "D" and "E."24. Prior to the Settlement, Cal Water had to expend its own funds to address MTBE remediation. After the Settlement, Cal

[12] "Although there is no private property right in the corpus of the water... the right to its use is classified as real property... The authorities in this state have uniformly defined the right to appropriate water as a possessory property right." (Fullerton v. State Water Resources Control Bd., (1990) Cal.App.3d 590, 598-99.) Thus, the legal interest giving the holder the right to use the water is characterized as "usufructuary" (see, e.g., Selma Pressure Treating Co., Inc. v. Osmose Wood Preserving Co. of America, Inc. (1990) 221 Cal.App.3d 1601, 1616 (state holds title to groundwater "as trustee for the benefit of the people of the state, all of whom in the last analysis, are the water users of the state")), and represents a possessory interest in realty. (Fullerton, supra; National Audubon Soc. v. Superior Court (1983) 33 Cal.3d 419, 441 ("the right of property in water is usufructuary, and consists not so much of the fluid itself as the advantage of its use"). Cal Water has substantially relied upon its usufructuary right to use groundwater.

Water had sufficient funds to address MTBE projects and to offset (record CIAC) prior MTBE capital expenditures. See attached Exhibit "E," MTBE Memorandum Account Tracking.

26. D. 10-10-018 (Appendix D. 1H) Management generally of response:

Cal Water's management responded timely to the discovery of MTBE in Cal Water's groundwater and developed a preemptive plan to meet the forthcoming MCL. Cal Water management also undertook litigation, not funded by the ratepayer, to hold potentially responsible parties liable for damages to groundwater, which Cal Water relies upon to serve its customers. The damages Cal Water sought were the costs to eliminate MTBE from the groundwater, so Cal Water's customers would not have to pay for the associated treatment costs. Cal Water was one of the few water purveyors, in the nation, which undertook this risky litigation. Neither the State of California nor any California State Regulatory Agency undertook this risky litigation. Cal Water, then, took an aggressive tax position to maximize ratepayer benefits of Net Remitted Proceeds.

27. D. 10-10-018 (Appendix D. 1I) Uncertainty as to scope, severity and duration of event:

As with any dangerous contaminate, the scope, severity and duration are difficult to initially project. As such, under Part Two of the Settlement future payments for damages caused by MTBE contamination occurring in wells not included in Part One of the Settlement for a twenty year period commencing on of April 11, 2008. Part Two will provide Cal Water and its ratepayers assurances that they will not suffer, sometime in the future, large expenditures due to unknown at the time of Settlement MTBE contamination. As an example, Cal Water was able to recover $325,000 for MTBE contamination under Part Two, which was detected afterwards in a Salinas well, which was not included in Part One of the Settlement.

28. D. 10-10-018 (Appendix D. 1J) Threat to and diminution of reputation:

Due to Cal Water's handling of the MTBE contaminate by a preemptive compliance plan, customer communication, follow up litigation and recording of CIAC to reduce revenue requirement, Cal Water did not suffer a diminution of reputation or a threat to its reputations. Rather, Cal Water has been viewed favorably for its actions to serve safe and reliable water to its customers and take actions to reduce ratepayer costs.

29. D. 10-10-018 (Appendix D. 1K) Cash flow and rate adjustment impacts.

See attached Exhibit "D," MTBE Funds Recorded as Contributions In Aid of Construction (CIAC). After Part One of the Settlement, Cal Water recorded offsetting costs, as CIAC, to reduce rate base and lower its revenue requirement in the districts affected by MTBE. Even though the costs were incurred prior to Part One of the Settlement, Cal Water used a calculation to arrive at the proportional costs associated with replacing contaminated MTBE well production. Thereafter, Cal Water was able to designate work orders and record costs to the MTBEMA.

30. D. 10-10-018 (Appendix D. 1I) Circumstances or mechanisms that offset or mitigate risk or Impacts.

In 2005, Cal Water filed Advice Letter to enact Water MTBEMA pursuant to Commission Resolution No. W-4094.

Cost and Damage Recovery Efforts, Claims and Events:

31. D. 10-10-018 (Appendix D. 2A) Risk or reality of not receiving full recovery.

Unless set forth in statues or in contracts, each party is responsible for its own litigation fees and costs. In this case, Cal Water has achieved a favorable and beneficial outcome, particularly for its ratepayers, as Cal Water will be able to serve water meeting GO. 103-A standards and costs associated with known MTBE remediation have been offset by Part One of the Settlement. Furthermore, Part Two provides assurance that Cal Water and its ratepayers will not be exposed to significantly large expenditures in the future for unknown and undetected MTBE contamination.

32. D. 10-10-018 (Appendix D. 2B) Risk or reality of higher water rates.

If Cal Water had not pursued MTBE litigation, Cal Water and more importantly its ratepayers would have to pay higher costs for a reliable, safe water supply. Simply, to meet the MTBE MCL, groundwater in Cal Water's affected districts has to be treated, which adds costs to water supply production. See Paragraph 18 above for an estimate of the additional revenue requirement in Cal Water's MTBE affected districts prior to proposed sharing of "Net Proceeds."

33. D. 10-10-018 (Appendix D. 2C) Requirement and conditions accompanying grants or loans.

Cal Water cooperated with Regional Water Quality Control Boards to investigate and mitigate MTBE contamination and received approximately $464,000. However, being a private water utility, grant funds and low interest have been more difficult to procure.

34. D. 10-10-018 (Appendix D. 2D) Risk or reality of being sued; exposure to costs and damages. [CONFIDENTIAL & PRIVILEGED]

[redacted] [CONFIDENTIAL & PRIVILEGED].

See Exhibit "A" and Exhibit "B" for complexity of this national litigation against several of the largest corporations in the world.

f. 6. Extent to which management resources diverted and strained.

Management resources were mitigated due to the limited number of Cal Water employee depositions and outside legal counsel providing assistance and resources to gather Cal Water documents.

g. 7. Extent to which water service is affected.

Water service was not affected.

h. 8. Outcome concerning settlement or compensatory, general and punitive damage award; relative success or failure; amount of recovery relative to damage and cost of replacement and remediation.

Fully discussed above, in this request to terminate, to close and to allocate "net Proceeds" in the MTBEMA.

36. D. 10-10-018 (Appendix D. 2F). Mitigating or off-setting circumstances, incentives and mechanisms; balancing and memorandum accounts; cost of capital premiums.

See Paragraph 7 above. Commission authorized a memorandum account. At no time did the Commission authorize a balance account to track any litigation costs or to track costs to comply with MTBE remediation or MCL compliance. As previously state, Commission never awarded Cal Water for the additional risks associated with MTBE litigation.

37. Allocation of "Net Proceeds":

After consideration of factors set forth by the Commission, Cal Water's actions and the favorable and beneficial impact on customer rates, Cal Water request that the Commission recognize its undertaking MTBE litigation and associated additional risk as well as Cal Water's aggressive tax position. Cal Water request an allocation of 10% of Net Remitted Proceeds, the proceeds resulting from Cal Water's additional efforts and risks, or $3,281,653, which represents approximately 75% of Net Proceeds to Cal Water and 25% to ratepayers in Cal Water MTBE affected districts. Overall, Cal Water's litigation and aggressive tax position will have reduced ratepayer revenue requirement by approximately $4,901,197.00 annually.

CONCLUSION

38. In conclusion, Cal Water undertook MTBE litigation, an additional risk to its shareholders, which few other water purveyors, state regulators or governments were willing to risk. Cal Water exposed itself to litigation risk with only the potential safeguard of a memorandum account. Nevertheless, Cal Water ratepayers are the primary beneficiary; experiencing significantly lower revenue requirements in Cal Water MTBE affected districts, due to these efforts. Cal Water shareholders have

not been rewarded or compensated for its additional efforts or risks with a higher authorized rate of return as permitted under Commission Decision D. 10-10-018 or any other favorable regulatory treatment. Furthermore, Part Two of the Settlement safeguards Cal Water and its ratepayers from any significant future costs, which arise due to unknown MTBE contamination detection in the future. As set forth in D. 10-10-018, Cal Water has restored water quality to General Order 103-A with use of Net Remitted Proceeds, which through Cal Water's aggressive tax position, significantly contributed to Net Remitted Proceeds availability to remediate MTBE. Based on the factors to consider as set forth in Appendix D of Commission D. 10-10-018 and the actions of Cal Water, the remaining proceeds "Net Proceeds" should be allocated 75% to Cal Water shareholder and 25% to the ratepayers in Cal Water MTBE affected districts.

APPENDIX A:

RESULTS OF OPERATIONS TABLES

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TABLE 1-1
SUMMARY OF EARNINGS - TEST YEAR

	Test Year 2019/2020 ($)	Cal Advocates Present Rates	GOWC Present Rates	GOWC > Cal Advocates	
1	**Revenue:**				
2	Water Service Revenue	19,589,129.5	19,062,672.1	(526,457.4)	-2.7%
3	Fire Protection Revenue	86,080.9	86,080.9	0.0	0.0%
4	Other Revenue	0.0	0.0	0.0	0.0%
5	**Total Revenue**	**19,675,210.4**	**19,148,753.0**	(526,457.4)	-2.7%
6	**Operating Expenses:**				
7	Operation & Maintenance (including uncollectibles)	10,461,002.3	13,402,821.1	2,941,818.8	28.1%
8	Administrative & General	4,737,223.3	5,039,628.2	302,404.9	6.4%
9	Depreciation Expense	1,453,614.0	1,447,192.8	(6,421.1)	-0.4%
10	Taxes Other Than Income (Ad Val., Bus.Lic, Fran., Payroll taxes)	454,572.9	461,300.8	6,727.9	1.5%
11	California Corporate Franchise Tax	183,469.6	146,816.4	(36,653.3)	-20.0%
12	Federal Income Tax	396,578.7	335,070.5	(61,508.2)	-15.5%
13	Deferred Tax Expense	181,163.7	197,026.0	15,862.3	8.8%
14	RESERVED	0.0	0.0	0.0	0.0%
15	**Total Operating Expenses**	**17,867,624.5**	**21,029,855.9**	**3,162,231.3**	**17.7%**
16	**Net Operating Revenues**	**1,807,585.9**	**(1,881,102.9)**	**(3,688,688.7)**	**-204.1%**
17	Weighted Average Rate Base	15,341,060.4	17,481,352.2	2,140,291.8	14.0%
18	***Return on Rate Base at Present Rates***	***11.78%***	***-10.76%***	***-22.54%***	***-191.3%***

	Test Year 2019/2020 ($)	Cal Advocates Proposed Rates	GOWC Proposed Rates	GOWC > Cal Advocates	
1	**Revenue:**				
2	Water Service Revenue	18,801,821.1	22,476,414.9	3,674,593.8	19.5%
3	Fire Protection Revenue	76,514.9	152,643.4	76,128.5	99.5%
4	Other Revenue	0.0	0.0	0.0	0.0%
5	**Total Revenue**	**18,878,336.0**	**22,629,058.3**	3,750,722.3	19.9%
6	**Operating Expenses:**				
7	Operation & Maintenance (excluding uncollectibles)	10,416,618.2	13,360,173.0	2,943,554.9	28.3%
8	Uncollectibles	42,586.5	50,342.7	7,756.2	18.2%
9	Administrative & General	4,737,223.3	5,039,628.2	302,404.9	6.4%
10	Depreciation Expense	1,453,614.0	1,447,192.8	(6,421.1)	-0.4%
11	Taxes Other Than Income (Ad Val., Bus.Lic, Fran., Payroll taxes)	454,572.9	461,300.8	6,727.9	1.5%
12	California Corporate Franchise Tax	113,026.0	146,816.4	33,790.4	29.9%
13	Federal Income Tax	229,235.1	335,070.5	105,835.4	46.2%
14	Deferred Tax Expense	181,163.7	197,026.0	15,862.3	8.8%
15	RESERVED	0.0	0.0	0.0	0.0%
16	**Total Operating Expenses**	**17,628,039.6**	**21,037,550.5**	**3,409,510.9**	**19.3%**
17	**Net Operating Revenues**	**1,250,296.4**	**1,591,507.8**	341,211.4	27.3%
18	Weighted Average Rate Base	15,341,060.4	17,481,352.2	2,140,291.8	14.0%
19	***Return on Rate Base at Proposed Rates***	***8.15%***	***9.10%***	***0.95%***	***11.7%***

GREAT OAKS WATER COMPANY A.18-07-002

TABLE 1-2
SUMMARY OF EARNINGS - ESCALATION YEARS

	For Illustrative Purposes ($)	Cal Advocates 2020/2021	Cal Advocates 2021/2022	2020-2021 Increase	
1	**Revenue:**				
2	Water Service Revenue	20,278,597.2	25,385,910.4	5,107,313.2	25.2%
3	Fire Protection Revenue	80,231.4	81,720.1	1,488.7	1.9%
4	Other Revenue	0.0	0.0	0.0	0.0%
5	**Total Revenue**	20,358,828.6	25,467,630.5	5,108,801.9	25.1%
6	Operating Expenses:*				
7	Operation & Maintenance (excluding uncollectibles)	11,352,230.5	15,893,422.0	4,541,191.5	40.0%
8	Uncollectibles	45,926.2	49,156.7	3,230.5	7.0%
9	Administrative & General	4,980,452.1	5,381,013.0	400,560.9	8.0%
10	Depreciation Expense	1,559,595.0	1,630,291.9	70,696.9	4.5%
11	Taxes Other Than Income	491,712.3	521,771.5	30,059.2	6.1%
12	California Corporate Franchise Tax	124,501.8	128,373.6	3,871.8	3.1%
13	Federal Income Tax	316,186.9	322,961.3	6,774.4	2.1%
14	Deferred Tax Expense	191,602.5	197,694.4	6,091.9	3.2%
15	RESERVED	0.0	0.0	0.0	0.0%
16	Total Operating Expenses	19,062,207.4	24,124,684.5	5,062,477.1	26.6%
17	Net Operating Revenues	1,296,621.2	1,342,946.0	46,324.8	3.6%
18	Weighted Average Rate Base	15,909,462.9	16,477,865.3	568,402.5	3.6%
19	***Return on Rate Base***	***8.15%***	***8.15%***	***0.0***	***0.0%***
10	** Assumed escalation factors of 2.28% for composite and 1.20% for labor, for 2018.*				

	Net-to-Gross (NTG) Multiplier for 2nd Escalation Year & Other Offset Filings	with income tax effect	w/o income tax effect	*Calculations*
1	Uncollectibles Rate	0.22247%	0.22247%	
2	100% - Uncollectibles Rate	99.77753%	99.77753%	*100% - [1]*
3	Franchise Tax Rate	0.00000%	0.00000%	
4	Franchise Tax	0.00000%	0.00000%	*[2] x [3]*
5	Business License Rate	0.00000%	0.00000%	
6	Business License cost	0.00000%	0.00000%	*[2] x [5]*
7	Subtotal	0.22247%	0.22247%	*[1+4+6]*
8	100% - Subtotal	99.77753%	99.77753%	*100% - [7]*
9	California Corporate Franchise Tax Rate	8.84%		
10	California Corporate Franchise Tax	8.82033%		*[8] x [9]*
11	American Jobs Creation Act Rate			
12	American Jobs Creation Act deductions *			*[8-1]x[11]xprod%*
13	Federal Income Tax Rate	21.00%		
14	Federal Income Tax	19.10101%		*[8-10-12] x 13*
15	Total Taxes Paid	28.14381%	0.22247%	[7+10+14]
16	Net After Taxes	71.85619%	99.77753%	*100% - [15]*
17	NTG Multiplier	**1.39167**	**1.00223**	1 / [16]

18	**Capital Structure**		**NTG Multiplier**		
19	Debt	30.0%	**1.00223**	0.30067	w/o income taxes
20	Equity	70.0%	**1.39167**	0.97417	with income taxes
21	Total	100.0%		**1.27484**	**Wtd. NTG Multiplier**

** prod% = ratio of total well and surface water to total water supply.*

GREAT OAKS WATER COMPANY A.18-07-002

TABLE 2-1
AVERAGE WATER SALES PER CUSTOMER (OR PER CONNECTION)

	Test Year 2019/2020 (CCF/connection/year)*	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	**Average Water Sales:**				
2	Single-Family Residence	118.4	128.5	10.1	8.5%
3	Multi-Family Residence	1,402.2	1,186.2	(216.0)	-15.4%
4	Business	1,167.8	816.4	(351.4)	-30.1%
5	Industrial	1,626.0	1,917.8	291.9	17.9%
6	Public Authority	1,465.8	1,105.0	(360.8)	-24.6%
7	Schools	3,578.0	4,517.4	939.4	26.3%
8	Private Landscape	916.6	1,277.5	360.9	39.4%
9	Agriculture	413.8	0.0	(413.8)	-100.0%
14a	FIRE SERVICES				
15a	Up-size to Residential with Fire Service				
16a	Private Fire Services				
17a	TOTAL FIRE SERVICES				
18a	MISCELLANEOUS:				

	Escalation Year 2020/2021 (CCF/connection/year)*	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	**Average Water Sales:**				
2	Single-Family Residence	118.4	128.5	10.1	8.5%
3	Multi-Family Residence	1,402.2	1,186.2	(216.0)	-15.4%
4	Business	1,167.8	816.4	(351.4)	-30.1%
5	Industrial	1,626.0	1,917.8	291.9	17.9%
6	Public Authority	1,465.8	1,105.0	(360.8)	-24.6%
7	Schools	3,578.0	4,517.4	939.4	26.3%
8	Private Landscape	916.6	1,277.5	360.9	39.4%
9	Agriculture	413.8	0.0	(413.8)	-100.0%
14a	FIRE SERVICES				
15a	Up-size to Residential with Fire Service				
16a	Private Fire Services				
17a	TOTAL FIRE SERVICES				
18a	MISCELLANEOUS:				

GREAT OAKS WATER COMPANY A.18-07-002

TABLE 2-2
AVERAGE NUMBER OF CUSTOMERS (SERVICE CONNECTIONS)

	Test Year 2019/2020	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	**Metered Customers (Service Connections):**				
2	Single-Family Residence	20,200	19,887	(313)	-2%
3	Multi-Family Residence	615	616	1	0%
4	Business	293	269	(24)	-8%
5	Industrial	58	54	(4)	-7%
6	Public Authority	145	146	1	1%
7	Schools	46	44	(2)	-4%
8	Private Landscape	253	243	(10)	-4%
9	Agriculture	6	6	0	0%
10	**Total Metered Customers**	21,616	21,265	(351)	-2%
11	**Fire Services:**				
12	EOY # of Services by Meter Size				
13	2-inch	104	104	0	0%
14	4-inch	41	41	0	0%
15	6-inch	88	88	0	0%
16	8-inch	77	77	0	0%
17	10-inch	25	25	0	0%
18	12-inch	3	3	0	0%
19	**Total Fire Services**	338	338	0	0%
20	**Total Number of Connections:**				
21	Including Fire Protection	21,954	21,603	(351)	-2%
22	Excluding Fire Protection	21,616	21,265	(351)	-2%

	Escalation Year 2020/2021	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	**Metered Customers (Service Connections):**				
2	Single-Family Residence	20,337	19,942	(395)	-2%
3	Multi-Family Residence	618	620	2	0%
4	Business	296	267	(29)	-10%
5	Industrial	60	55	(5)	-8%
6	Public Authority	144	146	2	1%
7	Schools	47	44	(3)	-6%
8	Private Landscape	264	250	(14)	-5%
9	Agriculture	6	7	1	17%
10	**Total Metered Customers**	21,772	21,331	(441)	-2%
11	**Fire Services:**				
12	EOY # of Services by Meter Size				
13	2-inch	104	104	0	0%
14	4-inch	41	41	0	0%
15	6-inch	88	88	0	0%
16	8-inch	77	77	0	0%
17	10-inch	25	25	0	0%
18	12-inch	3	3	0	0%
19	**Fire Services Subtotal**	338	338	0	0%
20	**Total Number of Connections:**				
21	Including Fire Protection	22,110	21,669	(441)	-2%
22	Excluding Fire Protection	21,772	21,331	(441)	-2%

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TABLE 2-3
TOTAL SALES AND SUPPLY

	Test Year 2019/2020 (CCF)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	**Water Sales**				
2	**Potable Water Sales**				
3	Single-Family Residence	2,392,488	2,556,275	163,787	7%
4	Multi-Family Residence	862,371	730,699	(131,672)	-15%
5	Business	342,174	219,614	(122,560)	-36%
6	Industrial	94,306	103,563	9,257	10%
7	Public Authority	212,534	161,330	(51,204)	-24%
8	Schools	164,588	198,765	34,178	21%
9	Private Landscape	231,887	310,430	78,543	34%
10	**Total Potable Water Sales**	**4,300,348**	**4,280,677**	(19,672)	0%
11	Agriculture	2,483	0	(2,483)	-100%
12	**Total Water Sales**	**4,302,831.4**	**4,280,676.5**	(22,155)	-0.5%
13	Total Water Sales	4,302,831.4	4,280,676.5	(22,155)	-0.5%
14	*Unaccounted for Water % (water loss)*	*7.200%*	*7.200%*	0	0.0%
15	Water Loss	333,840.4	332,121.5	(1,719)	-0.5%
16	**Total Requirement (Sales + Water Loss) ***	**4,636,671.7**	**4,612,798.0**	**(23,874)**	**-0.5%**
	Total Requirement in Acre Feet				
17	**WATER SUPPLY MIX:**				
18	Well Water	4,636,671.3	4,612,797.4	(23,874)	-0.5%
19	Purchased Water	0.0	0.0	0	0.0%
20	Surface Supply	0.0	0.0	0	0.0%
21	**Total Supply ***	**4,636,671.3**	**4,612,797.4**	**(23,874)**	**-0.5%**
22	*Variance between Total Requirement and Supply*	*(0.4)*	*(0.6)*		
	** Total Requirement and Total Supply may differ slightly due to rounding.*				

	Escalation Year 2020/2021 (CCF)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	**Water Sales**				
2	**Potable Water Sales**				
3	Single-Family Residence	2,408,714	2,563,345	154,630	6%
4	Multi-Family Residence	866,578	735,444	(131,134)	-15%
5	Business	345,678	217,981	(127,696)	-37%
6	Industrial	97,558	105,481	7,922	8%
7	Public Authority	211,068	161,330	(49,738)	-24%
8	Schools	168,166	198,765	30,600	18%
9	Private Landscape	241,969	319,373	77,403	32%
10	**Total Potable Water Sales**	**4,339,731**	**4,301,718**	(38,013)	-1%
11	Agriculture	2,483	0	(2,483)	-100%
12	**Total Water Sales**	**4,342,214.1**	**4,301,718.5**	(40,496)	-0.9%
13	Total Water Sales	4,342,214.1	4,301,718.5	(40,496)	-0.9%
14	*Unaccounted for Water % (water loss)*	*7.200%*	*7.200%*	0	0.0%
15	Water Loss	336,895.9	333,754.0	(3,142)	-0.9%
16	**Total Requirement (Sales + Water Loss) ***	**4,679,110.0**	**4,635,472.5**	**(43,638)**	**-0.9%**
	Total Requirement in Acre Feet				
17	**WATER SUPPLY MIX:**				
18	Well Water	4,679,109.9	4,635,473.1	(43,637)	-0.9%
19	Purchased Water	0.0	0.0	0	0.0%
20	Surface Supply	0.0	0.0	0	0.0%
21	**Total Supply ***	**4,679,109.9**	**4,635,473.1**	**(43,637)**	**-0.9%**
22	*Variance between Total Requirement and Supply*	*(0.1)*	*0.6*		
23	** Total Requirement and Total Supply may differ slightly due to rounding.*				

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TABLE 2-4
OPERATING REVENUES AT PRESENT RATES

	Test Year 2019/2020 ($)	Cal Advocates	GOWC	GOWC > Cal Advocates	
1	**METERED SALES REVENUE**				
2	Total Service Charge	3,870,594.0	3,811,501.8	(59,092.2)	-1.5%
3	Usage Charge:				
4	Single-Family Residence	8,721,152.2	8,631,350.2	(89,802.0)	-1.0%
5	Multi-Family Residence	2,450,286.9	2,458,255.3	7,968.4	0.3%
6	Business	803,451.5	770,545.7	(32,905.9)	-4.1%
7	Industrial	373,612.6	334,963.0	(38,649.6)	-10.3%
8	Public Authority	538,163.7	538,163.7	0.0	0.0%
9	Schools	697,957.9	667,611.9	(30,346.0)	-4.3%
10	Private Landscape	1,085,580.7	1,051,254.0	(34,326.7)	-3.2%
11	Agriculture	8,339.2	8,339.2	0.0	0.0%
12	Total Usage Charge Revenue	14,678,544.8	14,460,483.1	(218,061.7)	-1.5%
13	Pump Tax Surcharge - AL 271-W	1,039,990.7	1,039,990.7	0.0	0.0%
14	**METERED SALES REVENUE SUBTOTAL**	**19,589,129.5**	**19,311,975.6**	(277,153.9)	-1.4%
15	**TOTAL PRIVATE FIRE SERVICE REVENUE**	**86,080.9**	**86,080.9**	0.0	0.0%
16	**TOTAL SALES REVENUE**	**19,675,210.4**	**19,398,056.6**	(277,153.9)	-1.4%
17	CPUC SURCHARGE	275,452.9	271,572.8	(3,880.2)	-1.4%
18	**Total Revenues at Present Rates, Test Year 2019/2020**	**19,675,210.4**	**19,398,056.6**	**(277,153.9)**	**-1.4%**

	Escalation Year 2020/2021 ($)	Cal Advocates	GOWC	GOWC > Cal Advocates	
1	**METERED SALES REVENUE**				
2	Total Service Charge	3,887,193.6	3,822,126.0	(65,067.6)	-1.7%
3	Usage Charge:				
4	Single-Family Residence	8,780,300.6	8,655,093.6	(125,207.0)	-1.4%
5	Multi-Family Residence	2,462,239.5	2,474,192.8	11,953.3	0.5%
6	Business	811,678.0	767,804.9	(43,873.1)	-5.4%
7	Industrial	386,495.8	328,520.9	(57,975.0)	-15.0%
8	Public Authority	534,452.3	534,452.3	0.0	0.0%
9	Schools	713,130.9	667,611.9	(45,519.0)	-6.4%
10	Private Landscape	1,132,779.8	1,081,288.4	(51,491.4)	-4.5%
11	Agriculture	8,339.2	8,339.2	0.0	0.0%
12	Total Usage Charge Revenue	14,829,416.1	14,517,303.9	(312,112.2)	-2.1%
13	Pump Tax Surcharge - AL 271-W	1,039,990.7	1,044,079.5	4,088.8	0.4%
14	**METERED SALES REVENUE SUBTOTAL**	**19,756,600.5**	**19,383,509.4**	(373,091.0)	-1.9%
15	**TOTAL PRIVATE FIRE SERVICE REVENUE**	86,080.9	86,080.9	0.0	0.0%
16	**TOTAL SALES REVENUE**	**19,842,681.4**	**19,469,590.3**		
17	CPUC SURCHARGE	277,797.5	272,574.3	(5,223.3)	-1.9%
18	**Total Revenues at Present Rates, Escal. Year 2020/2021**	**19,842,681.4**	**19,469,590.3**	**(373,091.0)**	**-1.9%**

GREAT OAKS WATER COMPANY A.18-07-002

TABLE 3-1
OPERATIONS & MAINTENANCE EXPENSES - TEST YEAR

	Test Year 2019/2020 ($)	Cal Advocates	GOWC	GOWC > Cal Advocates	
1	Operations Expenses:				
2	Supply Expense:				
3	Groundwater Charges, Acct. 700	9,231,413.7	12,047,703.4	2,816,289.7	30.5%
4	Op. Labor & Expense (Excluding Labor), Acct. 702	18,937.3	18,884.4	(52.9)	-0.3%
5	Misc. Pump Exp., Acct. 725	9,468.7	9,436.0	(32.6)	-0.3%
6	Purchased Power, Acct. 726	775,991.0	955,440.0	179,448.9	23.1%
7	RESERVED	0.0	0.0	0.0	0.0%
8	RESERVED	0.0	0.0	0.0	0.0%
9	Total Supply Expenses	10,035,810.7	13,031,463.9	2,995,653.1	29.8%
10	Water Treatment:				
11	Chemicals & Filtering, Acct. 744	102,881.4	2,881.4	(100,000.0)	-97.2%
12	RESERVED	0.0	0.0	0.0	0.0%
13	**Total Operations Expenses**	10,138,692.1	13,034,345.2	2,895,653.1	28.6%
17	Maintenance Expenses:				
18	Maintenance Of Pumping Equipment, Accts. 711, 732	19,516.0	34,973.8	15,457.8	79.2%
19	T&D Misc Expense, Acct. 756	9,468.7	9,436.0	(32.6)	-0.3%
20	Maintenance of T&D Mains, Acct. 761	147,563.3	145,141.8	(2,421.5)	-1.6%
21	Maintenance of Services, Acct 763	22,587.0	37,555.6	14,968.6	66.3%
22	Maintenance of Meters, Acct 764	499.1	499.1	0.0	0.0%
23	Maintenance of Hydrants, Acct 765	2,109.0	10,160.0	8,051.0	381.7%
24	Maintenance of General Plant, Acct 805	76,183.0	88,061.5	11,878.5	15.6%
25	**Total Maintenance Expenses**	277,926.1	325,827.8	47,901.7	17.2%
26	**Total O&M excluding Uncollectibles**	**10,416,618.2**	**13,360,173.0**	**2,943,554.9**	**28.3%**
27	**At Present Rates**				
28	Total Revenues (including deferred Revenue on CIAC)	19,675,210.4	19,148,753.0	(526,457.4)	-2.7%
29	*Uncollectible Rate*	*0.2225%*	*0.2225%*	*0.0000%*	*0.0%*
30	Uncollectibles Expense	44,384.1	42,600.1	(1,784.0)	-4.0%
31	**Total O&M Expenses including Uncollectibles**	10,461,002.3	13,402,773.1	2,941,770.8	28.1%
32	**At Proposed Rates**				
33	Total Revenues (including deferred Revenue on CIAC)	18,878,336.0	22,629,058.3	3,750,722.3	19.9%
34	*Uncollectible Rate*	*0.2225%*	*0.2225%*	*0.0000%*	*0.0%*
35	Uncollectibles Expense	42,586.5	50,342.7	7,756.2	18.2%
36	**Total O&M Expenses including Uncollectibles**	**10,459,204.7**	**13,410,515.7**	2,951,311.1	28.2%

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TABLE 4-1
ADMINISTRATIVE & GENERAL EXPENSES

	Test Year 2019/2020 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Administrative & General Expenses:				
2	Salaries	2,316,752.7	2,436,303.5	119,550.8	5.2%
3	Meter Reading Expense, Acct 772	18,937.3	18,884.4	(52.9)	-0.3%
4	Customer Records & Collection, Acct 773	150,267.6	146,728.6	(3,538.9)	-2.4%
5	Office Supplies & Other Expense, Acct 792	49,671.3	49,128.8	(542.6)	-1.1%
6	Property Insurance, Acct. 793	84,768.1	82,714.1	(2,054.0)	-2.4%
7	Injuries & Damages, Acct 794	43,668.6	43,668.6	0.0	0.0%
8	Employee Pensions & Benefits, Acct 795	900,702.6	907,021.5	6,318.9	0.7%
9	Franchise Requirements, Acct 796	344,843.5	452,581.2	107,737.7	31.2%
10	Regulatory Commission Expenses, Acct 797	18,000.0	18,000.0	0.0	0.0%
11	Outside Services, Including GRC Expense, Acct 798, 800	496,618.0	496,618.3	0.3	0.0%
12	Miscellaneous General Expense Including CWA Dues, Acct 799	155,027.0	230,012.6	74,985.6	48.4%
13	Rents, Acct 811	225,918.9	225,918.9	0.0	0.0%
14	Transportation Expense, Acct 903	0.0	0.0	0.0	0.0%
15	Passive Income 50% Ratepayer Credit	(67,952.2)	(67,952.2)	0.0	0.0%
16	Total Administrative and General Expenses	**4,737,223.3**	**5,039,628.2**	**302,404.9**	**6.4%**

	Escalation Year 2020/2021 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Administrative & General Expenses:				
2	Salaries	2,416,564.3	2,538,267.0	121,702.7	5.0%
3	Meter Reading Expense, Acct 772	19,240.3	19,186.6	(53.7)	-0.3%
4	Customer Records & Collection, Acct 773	152,671.8	149,076.3	(3,595.5)	-2.4%
5	Office Supplies & Other Expense, Acct 792	50,466.1	49,914.8	(551.2)	-1.1%
6	Property Insurance, Acct. 793	86,039.6	83,954.8	(2,084.8)	-2.4%
7	Injuries & Damages, Acct 794	44,323.6	44,323.6	0.0	0.0%
8	Employee Pensions & Benefits, Acct 795	887,871.1	894,136.0	6,264.9	0.7%
9	Franchise Requirements, Acct 796	407,176.6	486,371.6	79,195.0	19.4%
10	Regulatory Commission Expenses, Acct 797	18,288.0	21,600.0	3,312.0	18.1%
11	Outside Services, Including GRC Expense, Acct 798, 800	575,636.4	589,683.2	14,046.8	2.4%
12	Miscellaneous General Expense Including CWA Dues, Acct 799	157,507.4	233,692.8	76,185.4	48.4%
13	Rents, Acct 811	232,619.1	232,619.1	0.0	0.0%
14	Transportation Expense, Acct 903	0.0	0.0	0.0	0.0%
15	Passive Income 50% Ratepayer Credit	(67,952.2)	(67,952.2)	0.0	0.0%
16	**Total A&G and Miscellaneous Adjustments**	**4,980,452.1**	**5,274,873.5**	**294,421.5**	**5.9%**

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TABLE 5-1
TAXES OTHER THAN INCOME

	Test Year 2019/2020 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	CITY & COUNTY TAXES				
2	Ad Valorem (Property Tax)	287,918.4	286,586.7	(1,331.7)	-0.5%
3	RESERVED (Business Licence)	0.0	0.0	0.0	0.0%
4	Payroll Taxes (SUI, FUI, FICA)	166,654.5	174,714.2	8,059.6	4.8%
5	Sub Total	454,572.9	461,300.8	6,727.9	1.5%
6	**At Present Rates**				
7	Operating Revenue *EXCLUDING* Uncollectibles *	19,589,129.5	19,062,672.1	(526,457.4)	-2.7%
8	*Effective Local Franchise Tax Rate*	*0.000%*	*0.000%*	*0.000%*	*0.0%*
9	Franchise Taxes on applicable op. revenues	0.0	0.0	0.0	0.0%
10	**Total Taxes Other Than Income, At Present Rates**	**454,572.9**	**461,300.8**	6,727.9	1.5%
11	**At Proposed Rates**				
12	Operating Revenue *EXCLUDING* Uncollectibles *	18,801,821.1	22,476,414.9	3,674,593.8	19.5%
13	*Effective Local Franchise Tax Rate*	*0.000%*	*0.000%*	*0.000%*	*0.0%*
14	Franchise Taxes on applicable op. revenues	0.0	0.0	0.0	0.0%
15	**Total Taxes Other Than Income, At Proposed Rates**	**454,572.9**	**461,300.8**	6,727.9	1.5%

	Escalation Year 2020/2021 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	CITY & COUNTY TAXES				
2	Ad Valorem (Property Tax)	317,113.2	315,973.2	(1,140.0)	-0.4%
3	RESERVED (Business Licence)	0.0	0.0	0.0	0.0%
4	Payroll Taxes (SUI, FUI, FICA)	174,599.2	182,731.2	8,132.1	4.7%
5	Sub Total	491,712.3	498,704.4	6,992.1	1.4%
6	**At Present Rates**				
7	Operating Revenue *EXCLUDING* Uncollectibles *	19,756,600.5	20,527,623.8	771,023.4	3.9%
8	*Effective Local Franchise Tax Rate*	*0.000%*	*0.000%*	*0.000%*	*0.0%*
9	Franchise Taxes on applicable op. revenues	0.0	0.0	0.0	0.0%
10	**Total Taxes Other Than Income, At Present Rates**	**491,712.3**	**498,704.4**	**6,992.1**	**1.4%**
11	**At Proposed Rates**				
12	Operating Revenue *EXCLUDING* Uncollectibles *	20,278,597.2	24,158,628.9	3,880,031.7	19.1%
13	*Effective Local Franchise Tax Rate*	*0.000%*	*0.000%*	*0.000%*	*0.0%*
14	Franchise Taxes on applicable op. revenues	0.0	0.0	0.0	0.0%
15	**Total Taxes Other Than Income, At Proposed Rates**	**491,712.3**	**498,704.4**	**6,992.1**	**1.4%**

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TABLE 6-1
TAXES BASED ON INCOME - TEST YEAR AT PRESENT RATES

	Test Year 2019/2020 ($)	Cal Advocates	GOWC	GOWC > Cal Advocates	
1	Operating Revenue at Present Rates	19,675,210.4	22,629,058.3	2,953,847.9	15.0%
2	Common Deductions:				
3	Operating Expenses	15,196,428.0	18,450,848.7	3,254,420.8	21.4%
4	Interest Expense	299,150.7	393,330.4	94,179.7	31.5%
5	Taxes Other Than Income	454,572.9	461,300.8	6,727.9	1.5%
6	50% Meal Disallowance	0.0	0.0	0.0	0.0%
7	Deductions excluding Depreciation	15,950,151.6	19,305,480.0	3,355,328.4	21.0%
8	State Corporation Franchise Tax				
9	Taxable Income before State Tax Depreciation	3,725,058.8	3,323,578.4	(401,480.5)	-10.8%
10	Additional Deduction:				
11	Tax Depreciation-State	1,649,610.3	1,642,323.5	7,286.9	-0.4%
12	Deferred Income Tax Expense	0.0	20,436.4	(20,436.4)	0.0%
13	RESERVED	0.0	0.0	0.0	0.0%
14	Additional Deduction for CCFT Subtotal	1,649,610.3	1,662,759.9	(13,149.5)	0.8%
15	Taxable Income for CCFT	2,075,448.5	1,660,818.5	(414,630.0)	-20.0%
16	*CCFT Rate*	*8.84%*	*8.84%*	0.0%	0.0%
17	**Total CCFT**	**183,469.6**	**146,816.4**	(36,653.3)	-20.0%
18	Federal Tax Deductions				
19	Taxable Income Before Federal Tax Depreciation and CCFT	3,725,058.8	3,323,578.4	401,480.5	-10.8%
20	Additional Deduction:				
21	Tax Depreciation	1,453,614.0	1,447,192.8	6,421.1	-0.4%
22	Deferred Income Tax Expense	0.0	133,995.4	(133,995.4)	0.0%
23	Calif. Corporation Franchise Tax	382,975.0	146,816.4	236,158.6	-61.7%
24	IRS Section 199 QPA Deduction	0.0	0.0	0.0	0.0%
25	Additional Deduction for Federal Tax Subtotal	1,836,589.0	1,728,004.6	108,584.4	-5.9%
26	Taxable Income for FIT	1,888,469.9	1,595,573.8	(292,896.1)	-15.5%
27	*FIT Rate*	*21.00%*	*21.00%*	0.0%	0.0%
28	**Total FIT**	**396,578.7**	**335,070.5**	(292,896.1)	(0.2)
29	**Total Income Taxes for Revenues at Present Rates**	**580,048.3**	**481,886.9**	**(98,161.5)**	**-16.9%**

GREAT OAKS WATER COMPANY A.18-07-002

TABLE 6-2
TAXES BASED ON INCOME - TEST YEAR AT PROPOSED RATES

	Test Year 2019/2020 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Operating Revenue at Proposed Rates	18,878,336.0	22,629,058.3	3,750,722.3	19.9%
2	Common Deductions:				
3	Operating Expenses	15,196,428.0	18,450,848.7	3,254,420.8	21.4%
4	Interest Expense	299,150.7	393,330.4	(94,179.7)	31.5%
5	Taxes Other Than Income	454,572.9	461,300.8	6,727.9	1.5%
6	50% Meal Disallowance	0.0	0.0	0.0	0.0%
7	Deductions excluding Depreciation	15,950,151.6	19,305,480.0	3,355,328.4	21.0%
8	State Corporation Franchise Tax				
9	Taxable Income before State Tax Depreciation	2,928,184.4	3,323,578.4	395,393.9	13.5%
10	Additional Deduction:				
11	Tax Depreciation-State	1,649,610.3	1,642,323.5	7,286.9	-0.4%
12	Deferred Income Tax Expense	0.0	20,436.4	(20,436.4)	0.0%
13	RESERVED	0.0	0.0	0.0	0.0%
14	Additional Deduction for CCFT Subtotal	1,649,610.3	1,662,759.9	(13,149.5)	0.8%
15	Taxable Income for CCFT	1,278,574.1	1,660,818.5	382,244.4	29.9%
16	*CCFT Rate*	*8.84%*	*8.84%*	0.0%	0.0%
17	**Total CCFT**	**113,026.0**	**146,816.4**	33,790.4	29.9%
18	Federal Tax Deductions				
19	Taxable Income Before Federal Tax Depreciation and CCFT	2,928,184.4	3,323,578.4	(395,393.9)	13.5%
20	Additional Deduction:				
21	Tax Depreciation	1,453,614.0	1,447,192.8	6,421.1	-0.4%
22	Deferred Income Tax Expense	0.0	133,995.4	(133,995.4)	0.0%
23	Calif. Corporation Franchise Tax	382,975.0	146,816.4	236,158.6	-61.7%
24	IRS Section 199 QPA Deduction	0.0	0.0	0.0	0.0%
25	Additional Deduction for Federal Tax Subtotal	1,836,589.0	1,728,004.6	108,584.4	-5.9%
26	Taxable Income for FIT	1,091,595.5	1,595,573.8	503,978.3	46.2%
27	*FIT Rate*	*21.00%*	*21.00%*	0.0%	0.0%
28	**Total FIT**	**229,235.1**	**335,070.5**	503,978.3	0.5
29	**Total Income Taxes for Revenues at Proposed Rates**	**342,261.0**	**481,886.9**	**139,625.8**	**40.8%**

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TABLE 7-1
UTILITY PLANT IN SERVICE

	Test Year 2019/2020 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Plant in Service - Beginning of Year	48,525,073.4	48,525,052.2	(21.2)	0.0%
2	Gross Additions:				
3	Intangible Plant	0.0	0.0	0.0	0.0%
4	Land and Land Rights	0.0	0.0	0.0	0.0%
5	Source of Supply Plant	0.0	0.0	0.0	0.0%
6	Pumping Plant	120,999.9	120,999.9	0.0	0.0%
7	Water Treatment Plant	7,500.0	7,500.0	0.0	0.0%
8	Transmission & Distribution Plant	808,266.4	808,266.4	0.0	0.0%
9	General Plant	913,003.0	798,003.0	(115,000.0)	-12.6%
10	Capitalized Direct Labor	0.0	0.0	0.0	0.0%
11	Capitalized Allocated Payroll (10.6%)	274,693.3	288,868.2	14,174.9	5.2%
12	Capitalized Allocated Fringe Benefits	115,318.5	116,874.4	1,555.9	1.3%
13	Total Gross Additions	2,239,781.1	2,140,511.9	(99,269.2)	-4.4%
14	Retirements	0.0	0.0	0.0	0.0%
15	Net Additions	2,239,781.1	2,140,511.9	(99,269.2)	-4.4%
16	Net Additions including Adv for Constr (Using Construction Budget)	2,239,781.1	2,140,511.9	(99,269.2)	-4.4%
17	Plant in Service - End of Year	50,764,854.5	50,665,564.1	(99,290.4)	-0.2%
18	*Plant Weighting Factor*	*50.00%*	*50.00%*	0.0%	0.0%
19	**Weighted Average Plant in Service**	**49,644,964.0**	**49,595,308.2**	**(49,655.8)**	**-0.1%**
20	**Wtd Avg Plant in Service including Advances for Construction**	**49,644,964.0**	**49,595,308.2**	**(49,655.8)**	**-0.1%**

	Escalation Year 2020/2021 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Plant in Service - Beginning of Year	50,764,854.5	50,665,564.1	(99,290.4)	-0.2%
2	Gross Additions:				
3	Intangible Plant	0.0	0.0	0.0	0.0%
4	Land and Land Rights	0.0	0.0	0.0	0.0%
5	Source of Supply Plant	0.0	0.0	0.0	0.0%
6	Pumping Plant	120,999.9	120,999.9	0.0	0.0%
7	Water Treatment Plant	7,500.0	7,500.0	0.0	0.0%
8	Transmission & Distribution Plant	808,266.4	808,266.4	0.0	0.0%
9	General Plant	410,043.0	410,043.0	0.0	0.0%
10	Capitalized Direct Labor	0.0	0.0	0.0	0.0%
11	Capitalized Allocated Payroll (10.6%)	286,527.8	300,957.8	14,430.1	5.0%
12	Capitalized Allocated Fringe Benefits	114,005.9	115,858.0	1,852.1	1.6%
13	Total Gross Additions	1,747,343.0	1,763,625.2	16,282.2	0.9%
14	Retirements	0.0	0.0	0.0	0.0%
15	Net Additions	1,747,343.0	1,763,625.2	16,282.2	0.9%
16	Net Additions including Adv for Constr (Using Construction Budget)	1,747,343.0	1,763,625.2	16,282.2	0.9%
17	Plant in Service - End of Year	52,512,197.5	52,429,189.3	(83,008.2)	-0.2%
18	*Plant Weighting Factor*	*50.00%*	*50.00%*	0.0%	0.0%
19	**Weighted Average Plant in Service**	**51,638,526.0**	**51,547,376.7**	**(91,149.3)**	**-0.2%**
20	**Wtd Avg Plant in Service including Advances for Construction**	**51,638,526.0**	**51,547,376.7**	**(91,149.3)**	**-0.2%**

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TABLE 8-1
DEPRECIATION RESERVE & EXPENSE

	Test Year 2019/2020 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Depreciation Reserve - Beginning of Year	25,589,036.9	25,589,036.6	(0.3)	0.0%
2	Annual Accruals:				
3	Total Depreciation Expense Credited	1,614,054.1	1,607,633.0	(6,421.1)	-0.4%
4	Salvage	4,980.0	4,980.0	0.0	0.0%
5	Total Annual Accruals	1,619,034.1	1,612,613.0	(6,421.1)	-0.4%
6	Retirements and Adjustments:				
7	Retirement	0.0	0.0	0.0	0.0%
8	Removal Cost	0.0	0.0	0.0	0.0%
9	Total Retirement and Adjustments	0.0	0.0	0.0	0.0%
10	Net Additions	1,619,034.1	1,612,613.0	(6,421.1)	-0.4%
11	Depreciation Reserve - End of Year	27,208,071.0	27,201,649.6	(6,421.4)	0.0%
12	*Depreciation Reserve Weighting Factor*	*50.00%*	*50.00%*	0.0%	0.0%
13	**Weighted Average Depreciation Reserve**	**26,398,553.9**	**26,395,343.1**	**(3,210.9)**	**0.0%**
14	** Depreciation expense for summary of earnings calc.*	*1,453,614.0*	*1,447,192.8*	(6,421.1)	-0.4%
15	*Amortization of CIAC*	*160,440.1*	*160,440.1*		
16	*Total Depreciation credited to Reserve*	*1,614,054.1*	*1,607,633.0*		
	Escalation Year 2020/2021 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Depreciation Reserve - Beginning of Year	27,208,071.0	27,201,649.6	(6,421.4)	0.0%
2	Annual Accruals:				
3	Total Depreciation Expense Credited	1,721,860.9	1,709,258.6	(12,602.2)	-0.7%
4	Salvage	4,980.0	4,980.0	0.0	0.0%
5	Total Annual Accruals	1,726,840.9	1,714,238.6	(12,602.2)	-0.7%
6	Retirements and Adjustments:				
7	Retirement	0.0	0.0	0.0	0.0%
8	Removal Cost	0.0	0.0	0.0	0.0%
9	Total Retirement and Adjustments	0.0	0.0	0.0	0.0%
10	Net Additions	1,726,840.9	1,714,238.6	(12,602.2)	-0.7%
11	Depreciation Reserve - End of Year	28,934,911.9	28,915,888.2	(19,023.7)	-0.1%
12	*Depreciation Reserve Weighting Factor*	*50.00%*	*50.00%*	0.0%	0.0%
13	**Weighted Average Depreciation Reserve**	**28,071,491.4**	**28,058,768.9**	**(12,722.5)**	**0.0%**
14	** Depreciation expense for summary of earnings calc.*	*1,559,595.0*	*1,546,992.7*	(12,602.2)	-0.8%
15	*(does not include depreciation for transportation, etc.)*	*162,265.9*	*162,265.9*	0.0	0.0%
16	*Total Depreciation credited to Reserve*	*1,721,860.9*	*1,709,258.6*	(12,602.2)	-0.7%

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TABLE 9-1
WEIGHTED AVERAGE RATE BASE - TEST YEAR

	Test Year 2019/2020 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Weighted Average Plant In Service including advances for construction	49,644,964.0	49,595,308.2	(49,655.8)	-0.1%
2	Weighted Average Depreciation Reserve	(26,398,553.9)	(26,395,343.1)	3,210.9	0.0%
3	**Net Utility Plant**	**23,246,410.0**	**23,199,965.1**	**(46,444.9)**	**-0.2%**
4	Add: Construction Work-In-Progress (CWIP)	581,934.9	581,934.9	0.0	0.0%
5	**Net Utility Plant including CWIP**	**23,828,344.9**	**23,781,900.0**	**(46,444.9)**	**-0.2%**
6	Deductions from Rate Base:				
7	Adjustment to Plant:				
8	Contribution In Aid of Contruction	2,371,380.0	2,371,380.0	0.0	0.0%
9	Advances for Construction	5,068,749.5	5,068,749.5	0.0	0.0%
10	Less: Deferred Tax on Advances for Construction	596,832.0	596,832.0	0.0	0.0%
11	Net Advances for Construction	4,471,917.5	4,471,917.5	0.0	0.0%
12	Total Adjustment to Plant	6,843,297.5	6,843,297.5	0.0	0.0%
13	Deferred Federal Income Tax Liability	2,181,514.4	2,181,203.1	(311.3)	0.0%
14	Deferred Investment Tax Credit	5,058.0	5,058.0	0.0	0.0%
15	Total Deductions from Rate Base	9,029,869.8	9,029,558.5	(311.3)	0.0%
16	Additions to Rate Base:				
17	Working Capital	1,070,239.3	2,729,010.8	1,658,771.4	155.0%
18	Excess Tax Reserve Liability & Refund Adjustment	(527,654.0)	0.0	527,654.0	-100.0%
19	RESERVED	0.0	0.0	0.0	0.0%
20	Total Additions to Rate Base	542,585.3	2,729,010.8	2,186,425.4	403.0%
21	**Weighted Average Rate Base**	**15,341,060.4**	**17,481,352.2**	**2,140,291.8**	14.0%
22	*Interest Calculation (for Tax Deductions):*				
23	*Weighted Avg. Rate Base less customer deposits in Working Cash*	*15,341,060.4*	*17,481,352.2*	*2,140,291.8*	*14.0%*
24	*Customer Deposit in Working Cash:*	*0.0*	*0.0*	*0.0*	*0.0%*
25	*Weighted Cost of Debt*	*1.95%*	*2.25%*	0.3%	15.4%
26	*Interest Expense*	*299,150.7*	*393,330.4*	*94,179.7*	*31.5%*

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TABLE 9-2
WEIGHTED AVERAGE RATE BASE - ESCALATION YEAR

	Escalation Year 2020/2021 ($)	**Cal Advocates**	**GOWC**	**GOWC > Cal Advocates**	
1	Weighted Average Plant In Service including advances for construction	51,638,526.0	51,547,376.7	(91,149.3)	-0.2%
2	Weighted Average Depreciation Reserve	(28,071,491.4)	(28,058,768.9)	12,722.5	0.0%
3	**Net Utility Plant**	**23,567,034.6**	**23,488,607.8**	**(78,426.8)**	**-0.3%**
4	Add: Construction Work-In-Progress (CWIP)	581,934.9	581,934.9	0.0	0.0%
5	**Net Utility Plant including CWIP**	**24,148,969.5**	**24,070,542.7**	**(78,426.8)**	**-0.3%**
6	Deductions from Rate Base:				
7	Adjustment to Plant:				
8	Contribution In Aid of Contruction	2,273,928.3	2,273,928.3	0.0	0.0%
9	Advances for Construction	4,811,674.5	4,811,674.5	0.0	0.0%
10	Less: Deferred Tax on Advances for Construction	546,662.0	546,662.0	0.0	0.0%
11	Net Advances for Construction	4,265,012.5	4,265,012.5	0.0	0.0%
12	Total Adjustment to Plant	6,538,940.8	6,538,940.8	0.0	0.0%
13	Deferred Federal Income Tax Liability	2,341,796.8	2,340,563.0	(1,233.8)	-0.1%
14	Deferred Investment Tax Credit	2,900.0	2,900.0	0.0	0.0%
15	Total Deductions from Rate Base	8,883,637.6	8,882,403.8	(1,233.8)	0.0%
16	Additions to Rate Base:				
17	Working Capital	1,157,311.0	3,075,169.9	1,917,858.9	165.7%
18	Excess Tax Reserve Liability & Refund Adjustment	(513,180.0)	0.0	513,180.0	-100.0%
19	RESERVED	0.0	0.0	0.0	0.0%
20	Total Additions to Rate Base	644,131.0	3,075,169.9	2,431,038.9	377.4%
21	**Weighted Average Rate Base**	**15,909,462.9**	**18,263,308.8**	**2,353,845.9**	14.795%
22	*Interest Calculation (for Tax Deductions):*				
23	*Weighted Avg. Rate Base less customer deposits in Working Cash*	*15,909,462.9*	*18,263,308.8*	*2,353,845.9*	*14.8%*
24	*Customer Deposit in Working Cash:*	*0.0*	*0.0*	*0.0*	*0.0%*
25	*Weighted Cost of Debt*	*1.95%*	*2.25%*	*0.3%*	*15.4%*
26	*Interest Expense*	*310,234.5*	*410,924.4*	*100,689.9*	*32.5%*

APPENDIX B:

PUBLIC ADVOCATES OFFICE WITNESS'S STATEMENTS OF QUALIFICATIONS AND EXPERIENCE

STATEMENT OF QUALIFICATIONS

OF

DAPHNE GOLDBERG

Q.1 Please state your name and business address.

A.1 My name is Daphne Goldberg and my business address is 505 Van Ness Avenue, San Francisco, California 94102.

Q.2 By whom are you employed and in what capacity?

A.2 I am a Utilities Engineer in the Communications and Water Policy Branch of the Office of Ratepayer Advocates.

Q.3 Briefly describe your pertinent educational background.

A.3 I received a Bachelor of Science Degree in Civil Engineering from Santa Clara University, a Master's of Business Administration Degree from San Francisco State University, and a Master's in Civil/Environmental Engineering from University of California, Davis. I received my Engineer-in-Training Certification in the State of California, Certificate #141820.

Q.4 Briefly describe your professional experience.

A.4 My professional experience includes a position as a Design Trainee at the San Francisco Public Utilities Commission where I worked on the Water System Improvement Program in the Project Management Bureau on performance reporting documents related to water resources planning, scheduling, risk management and operations. I also worked as a Staff Engineer at URS Corporation in the Civil Engineering Group where I assisted the civil engineers and planners in infrastructure design projects, development of project schedules and budgets and preparation of new project proposals. I am currently working as a

Utilities Engineer at the Commission, primarily on General Rate Case (GRC) proceedings, and the review of advice letters.

Q.5 What is your responsibility in this proceeding?

A.5 My responsibility is this proceeding is Utility Plant in Service and Water Quality.

Q.6 Does that conclude your direct testimony?

A.6 Yes, at this time.

STATEMENT OF QUALIFICATIONS

OF

TONY TULLY

My name is Tony Tully. My business address is 505 Van Ness Avenue, San Francisco, California, 94102. I am employed by the California Public Utilities Commission (CPUC) in the Public Advocates Office as a Public Utility Regulatory Analyst IV. I graduated from the University of Phoenix with a bachelor's degree in Business Management.

In my experience at the CPUC in the Public Advocates Office Communications and Water Policy Branch, I have provided expert witness testimony in five general rate cases (GRC) including the 2014 Cal Water GRC (A.12-07-007), 2013 San Jose Water Company GRC (A.12-01-003), 2016 San Jose Water Company GRC (A. 15-01-002), the 2018 Sierra Telephone Company GRC (A.16-10-003) and the 2019 Ducor Telephone Company GRC (A.17-10-003). I was also the lead analyst on the Balance Rate Rulemaking (R.11-11-008) Phase I, and Digital Infrastructure Video Competition Act Franchise Renewal Rulemaking (R.13-05-007). I also performed analytical duties in the 2015 Cal Water GRC (A.12-07-007), The TURN Complaint against AT&T (C.13-12-005), the Charter/TWC/BHN Merger (A.15-07-009), and the Communications Competition Investigation (OII.15-11-007).

Prior to joining the CPUC, I was employed by the California Energy Commission for five years and served as an Energy Commission Specialist Supervisor II in the Research, Demonstration and Development Division. Additionally, I was employed by Silicon Crystals, Inc. (a semi-conductor company) for eight years and held the positions of Production Supervisor, IT Manager, Inventory and Purchasing Manager, Sales Manager, and Director of Operations and Sales.

For this proceeding, I prepared analysis and testimony addressing Great Oaks Water Company's proposal for Revenues and Rate Design.

STATEMENT OF QUALIFICATIONS

OF

MUKUNDA DAWADI

My name is Mukunda Dawadi. My business address is 505 Van Ness Avenue, San Francisco, California, 94102. I am employed by the Public Advocates office at California Public Utilities Commission (Public Advocates Office) as a Public Utility Regulatory Analyst V.

I received a Master's of Science in Accountancy from California State University, Los Angeles in 2012. I graduated from Tribhuvan University (TU) of Nepal with a Master's of Business Administration in 1998 and Bachelor's Degree in Business Management in 1992.

I joined the Public Advocates Office's Communication and Water Policy Branch in January 2014 as an Auditor. My experience at the Commission includes responsibility for reports on General Office Expenses (excluding payroll, benefits and depreciation) in Application (A.)14-01-002; Construction Work-in-Progress (CWIP), Allowance of Working Cash, and Deferred Tax in A.14-07-006; Affiliated Transactions, NTP&S, and Affiliate Revenue Allocation in A.15-07-015; Water Revenue Adjustment Mechanism in A.15-07-019, Rate Base Items (excluding plants) and Results of Operation in A.15-01-002, A.16-07-006 and A.18-01-004; and effects of Tax Cuts and Jobs Act 2017 (TCJA) on Revenue Requirement in A.16-07-006 and A.18-01-004. I also served as project coordinator and analyzed utilities' Cost of Debt, Capital Structure, and Risk Factors in A.17-04-001 et.al. and in A.18-05-001 et.al.

For this proceeding, I prepared analysis and testimony addressing Results of Operations, Taxes Other Than Income, Income Taxes, and Rate Base.

STATEMENT OF QUALIFICATIONS

OF

ANUSHA NAGESH

My name is Anusha Nagesh. My business address is 505 Van Ness Avenue, San Francisco, California, 94102. I am employed by the California Public Utilities Commission (CPUC) in the Public Advocates Office as an Auditor I.

I graduated from the Indo-German Chamber of Commerce with a Post Graduate certificate in Business Administration. I have a bachelor's degree from Mount Carmel College in Commerce, specialized in finance and accounting.

In my experience at the CPUC in the Public Advocates Office Communications and Water Policy Branch, I have assisted in the San Jose Water Company General Rate Case Proceeding and affordability bill analysis for Class A Water Utilities.

Prior to joining the CPUC, I was working in Lufthansa Technik services for four years under various roles including Materials Manager, AOG Buyer/Coordinator and Finance Team Assistant.

For this proceeding, I prepared analysis and testimony addressing Great Oaks Water Company's major expense categories- Operation and Maintenance Expenses (O&M), Administration and General Expenses (A&G), Payroll Expenses and Balancing and Memorandum Accounts (excluding Contamination Proceeds Memorandum Account).

STATEMENT OF QUALIFICATIONS

OF

YONG CHENG CAO

My name is Yong Cheng Cao. My business address is 505 Van Ness Avenue, San Francisco, California, 94102. I am employed by the California Public Utilities Commission (CPUC) in the Public Advocates Office as an Auditor I.

I graduated from the University of California, Berkeley with a Bachelor's in Applied Mathematics and Environmental Economics and Policy.

In my experience at the CPUC in the Public Advocates Office Communications and Water Policy Branch, I have analyzed performance metrics for Class A water utilities.

Prior to joining the CPUC, I received my education in mathematics, economics and accounting from University of California, Berkeley.

For this proceeding, I prepared analysis and testimony addressing Great Oaks Water Company's proposal to amortize the Contamination Proceeds Memorandum Account.

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