

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1274, SUB 7

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Lake Junaluska Assembly,)
Incorporated, Post Office Box 339, Lake)
Junaluska, North Carolina 28745, for a) AFFIDAVIT OF
Certificate of Public Convenience and Necessity) CALVIN C. CRAIG, III
to Provide Water and Sewer Utility Service in)
Lake Junaluska Assembly in Haywood County,)
North Carolina, and for Approval of Rates)

State of North Carolina

County of Wake

I, Calvin C. Craig, III, being first duly sworn do depose and say:

I am a Public Utilities Financial Analyst with the Economic Research Division of the Public Staff of the North Carolina Utilities Commission representing the using and consuming public.

I received a BS degree in Industrial Relations from the University of North Carolina at Chapel Hill in 1985, an MBA degree from East Carolina University in 1993, and a Juris Doctor degree from North Carolina Central University in 2006. Since joining the Public Staff in November 1995, I have been involved with natural gas expansion projects, have conducted rate of return studies, and have filed affidavits assessing financial viability and a fair rate of return in numerous water utility rate cases.

OFFICIAL COPY

Dec 20 2019

The purposes of my affidavit is to make a recommendation to the Commission regarding a fair rate of return to be employed as a basis for determining the appropriate revenue requirements for Lake Junaluska Assembly, Inc., (Lake Junaluska or Company) to provide water and sewer utility service in Lake Junaluska Assembly Service Area in Haywood County, North Carolina.

For the water utility service of Lake Junaluska, I recommend that they be granted a 7.50% margin on expenses which relates to an operating ratio of 93.03 % (including taxes) or 93.02% (excluding taxes). For the sewer utility service of Lake Junaluska, I also recommend that they be granted a 7.50% margin on expenses which relates to an operating ratio of 93.03 % (including taxes) or 93.02% (excluding taxes). This recommendation is based upon my investigation of the cost of capital for small water and sewer companies. As allowed under G. S. 62-133.1, I have used the operating ratio method to evaluate Lake Junaluska's proposed rate increase. After investigation, the Public Staff has determined that the Company's rate base is less than the reasonable level of operating expenses.

As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service.

In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the interest rate on bonds that reflect investor expectations of the

future levels of inflation. In my opinion, the recommended operating margin provides an adequate level of income after interest expense.

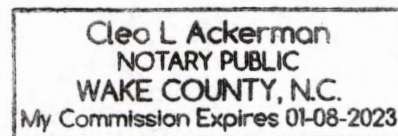
For these reasons, I recommend to the Commission that Lake Junaluska be granted a 7.50% margin on expenses. This concludes my affidavit.


Calvin C Craig, III

Sworn to and subscribed before me,
This the 20th day of December, 2019.


Notary Public

Cleo L. Ackerman
Printed Name



My Commission expires 01-08-2023