

INFORMATION SHEET

PRESIDING: Commissioner Brown-Bland; Chair Mitchell and Commissioners Gray, Clodfelter, Duffley, Hughes and McKissick

PLACE: Dobbs Building, Raleigh, North Carolina

DATE: Wednesday, January 29, 2020

TIME: 10:00 a.m. to 12:45 p.m.

DOCKET NOS.: W-1274, Sub 7

COMPANY: Lake Junaluska Assembly, Inc.

DESCRIPTION: Application by Lake Junaluska Assembly, Inc.,
19 Sleepy Hollow Drive, Waynesville, North Carolina 28785,
for a Certificate of Public Convenience and Necessity and
Approval of Rates for Water and Sewer Utility Service in
Lake Junaluska Assembly Service Area in Haywood County,
North Carolina, and for Approval of Rates

VOLUME NUMBER: 2

APPEARANCES

(See attached.)

WITNESSES

(See attached.)

(See attached.)

EXHIBITS

COPIES ORDERED: Email: Grantmyre

REPORTED BY: Kim Mitchell

TRANSCRIBED BY: Kim Mitchell

DATE FILED: February 18, 2020

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PREFILED PAGES: 55

TOTAL PAGES: 168

FILED

FEB 18 2020

**Clerk's Office
N.C. Utilities Commission**

1 PLACE: Dobbs Building, Raleigh, North Carolina
2 DATE: January 29, 2020
3 DOCKET NO.: W-1274, Sub 7
4 TIME IN SESSION: 10:00 a.m. to 12:45 p.m.
5 BEFORE: Commissioner ToNola D. Brown-Bland, Presiding
6 Chair Charlotte A. Mitchell
7 Commissioner Lyons Gray
8 Commissioner Daniel G. Clodfelter
9 Commissioner Kimberly W. Duffley
10 Commissioner Jeffrey A. Hughes
11 Commissioner Floyd B. McKissick, Jr.

12
13 IN THE MATTER OF:

14 Application by Lake Junaluska Assembly, Inc.,
15 19 Sleepy Hollow Drive,
16 Waynesville, North Carolina 28785,
17 for a Certificate of Public Convenience and Necessity
18 and Approval of Rates for Water and Sewer Utility
19 Service in Lake Junaluska Assembly Service Area
20 in Haywood County, North Carolina,
21 and for Approval of Rates

22
23 VOLUME 2
24

1 A P P E A R A N C E S:

2 FOR LAKE JUNALUSKA ASSEMBLY, INC.:

3 Daniel C. Higgins, Esq.

4 Burns, Day & Presnell, P.A.

5 Post Office Box 10867

6 Raleigh, North Carolina 27605

7

8 FOR TIMOTHY PHELAN, INTERVENOR:

9 Timothy Phelan, Pro se

10 Post Office Box 598

11 Lake Junaluska, North Carolina 28745

12

13 FOR JOHN DAVIS, INTERVENOR:

14 No one present

15

16 FOR THE USING AND CONSUMING PUBLIC:

17 William E. Grantmyre, Esq.

18 Public Staff - North Carolina Utilities Commission

19 4326 Mail Service Center

20 Raleigh, North Carolina 27699-4300

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**NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP**

DATE: 1/29/20 DOCKET NO.: W-1274; Sub 7

~~ATTORNEY~~ NAME and ~~TITLE~~: Tim Phelan

FIRM NAME: _____

ADDRESS: PO Box 598

CITY: Lake Junaluska STATE: NC ZIP CODE: 28745

APPEARING FOR: _____

APPLICANT: ___ COMPLAINANT: ___ INTERVENOR:

PROTESTANT: ___ RESPONDENT: ___ DEFENDANT: ___

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To order an electronic transcript, please provide an email address and sign below:

Email: timfphe@icloud.com

SIGNATURE: Tim Phelan

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SIGNATURE: _____

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**NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP**

DATE: 1/29/2020 DOCKET NO.: W-1274, SUB 7
ATTORNEY NAME and TITLE: JANIEL C. HIGGINS
FIRM NAME: BURNS, DAY & PRESNELL, PA
ADDRESS: PO Box 10867
CITY: RALPH STATE: NC ZIP CODE: 27608
APPEARING FOR: LAKE JUNALUSKA ASSEMBLY, INC

APPLICANT: COMPLAINANT: ___ INTERVENOR: ___
PROTESTANT: ___ RESPONDENT: ___ DEFENDANT: ___

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NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE January 29, 2020 DOCKET #: W-1274, Sub 7

PUBLIC STAFF MEMBER William E. Grantmyre

ORDER FOR TRANSCRIPT OF TESTIMONY TO BE **EMAILED** TO THE PUBLIC STAFF - PLEASE INDICATE YOUR DIVISION AS WELL AS YOUR EMAIL ADDRESS BELOW:

ACCOUNTING _____
WATER _____
COMMUNICATIONS _____
ELECTRIC _____
GAS _____
TRANSPORTATION _____
ECONOMICS _____
LEGAL william.grantmyre@psncuc.nc.gov
CONSUMER SERVICES _____

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1 Number of copies of confidential portion of regular transcript (assuming a confidentiality agreement has been signed). Confidential pages will still be received in paper copies.

***PLEASE INDICATE BELOW WHO HAS SIGNED A CONFIDENTIALITY AGREEMENT. IF YOU DO NOT SIGN, YOU WILL NOT RECEIVE THE CONFIDENTIAL PORTIONS!!!!

Signature of Public Staff Member

I/A

OFFICIAL COPY

Dec 18 2019

BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION DOCKET NO. W-1274, Sub 7

In the Matter of Application of)	John L. Davis's Replies to Reponses
Lake Junaluska Assembly, Inc.)	of Lake Junaluska Assembly, Inc. to
for a Certificate of Public Convenience)	Davis's Data Request No. 1
And Necessity, and for Approval of Rates)	

APPLICANT'S General Note:

Lake Junaluska Assembly ("LJA") notes at the outset that the North Carolina Utilities Commission ("NCUC") has not authorized the service of data requests in this docket, and that its Order Scheduling Hearings And Requiring Customer Notice does provide for such, or establish any procedures or schedules for such. Without waiving any of its rights or objections relating to these data requests, in a good faith effort to cooperate, LJA provides the information described below.

DAVIS REPLY: Noted.

Davis's Requests for Information, Applicant's Responses, and Davis's Replies

- 1) **Please provide the total volume of water imported from Town of Waynesville in each month of each year 2016-2018, inclusive.**
 - i) **APPLICANT'S RESPONSE:** LJA objects to this request, to the extent that it seeks information which is irrelevant to any issue legitimately presented in this docket, is not reasonably calculated to lead to the discovery of relevant evidence, and that compliance with this request would be unduly burdensome. Subject to and without waiving the foregoing objections, the data set forth in LJA's Application filed in this docket is actual data from 2017 adjusted for known and measurable changes. LJA will provide the requested data regarding water purchased from Waynesville for each month in 2017, and it otherwise objects to this request to the extent that it seeks data from 2016 and 2018. Please see Attachment No. 1.
 - (a) **DAVIS REPLY:** Multi year information is sought so that variations in use or data can be considered in analysis of rate structure. For example, the 2017 volume of metered water figure provided in response to this data request appears to be 4,516,880 cf, where the figure given in the Application is 4,663,143 cf. Another example, the Application says "At this point, LJA still experiences purchased water losses in the low to mid-20% range ...". From review of the metered volume figures for 2017 provided in response to this data request, it appears non-revenue water is about 34% of total imported water (which is different than the mid-20% in a report posted on the LJA website for 2016).

- 2) **Please provide the dollar cost of purchasing water from Town of Waynesville in each month of each year 2016-2018, inclusive.**
- i) **APPLICANT'S RESPONSE:** Subject to the objections set forth in LJA's Response to Item 1, LJA will provide the requested data for each month in 2017. Please see Attachment No. 2.
 - (a) **DAVIS REPLY:** Acknowledged, subject to Reply for item #1.
- 3) **Please provide the total revenue water volume in each month of each year 2016 through 2018, inclusive, for each of the meter types (rate codes) listed on Attachment #1A of the Attachments to Application of LJA.**
- i) **APPLICANT'S RESPONSE:** Subject to the objections set forth in LJA's Response to Item 1, and given the data that is included in Attachment #1B to LJA's Application, LJA will provide the requested data for each month in 2018. Please see Attachment No. 3.
 - (a) **DAVIS REPLY:** Acknowledged, subject to Reply for item #1.
- 4) **Please provide the identification of each commercial facility and each irrigation location, and the number/sizes of meters associated with each.**
- i) **APPLICANT'S RESPONSE:** Please see Attachment No. 4.
 - (a) **DAVIS REPLY:** Acknowledged.
- 5) **Is there an amount budgeted for "reserves" in Attachments #2A and #2B of the Attachments to Application of LJA, and if not, why?**
- i) **APPLICANT'S RESPONSE:** Yes. The capital improvement assessment proposed in Attachment 2B to LJA's Application is effectively a reserve. The intent is to use that assessment to fund continuing efforts to repair and replace the water and sewer infrastructure serving the Assembly community.
 - (a) **DAVIS REPLY:** Recommend establishing a dedicated reserve line item in the operating budget. Less than 5 years ago Applicant had non-designated emergency reserves that appear to have been spent on normal operations. Recommend that reserve policy be established and not just inferred by lack of reserves line item in overall budget. Per AWWA Cash Reserve Policy Guidelines, "The level of reserves maintained by a utility is an important component of short and long-term financial management, and is a key consideration in the rate-setting process. ... while many utilities view higher levels of reserves as prudent and conservative planning that result in many benefits, some utilities philosophically view reserves as tying up current customer dollars that could be used for expenditures or other benefits. Regardless of the philosophical perspective on reserves, all utilities should establish formal or informal financial policies relative to reserves. Such policies should articulate how these balances are established, their use, and

how the adequacy of each respective reserve fund balance is determined. Once reserve targets are established, they should be reviewed annually during the budgeting process to monitor current levels and evaluate conformance with formal or informal policies. Decisions can then be made to maintain, increase, or spend down reserve balances, as appropriate, with an understanding of the impact of such decisions to the upcoming budget period and long-term financial plan of the utility. Moreover, a utility should review the philosophy or approach used to establish its reserve policies every three to five years. This time frame is appropriate given that customer demands, operating cost profiles, debt levels, and capital infrastructure activity can vary during this time, which would affect the appropriate level of reserve balances."

- 6) **Are there any 6 inch meters in the water system? No rates are included for such in Attachments to Application of LJA; however, past applications to NCUC included multiple 6 inch service taps in the inventory and a 2017 report posted by LJA says a 6 inch meter was replaced in 2015.**
- i) **APPLICANT'S RESPONSE:** There are no 6-inch customer water meters in LJA's system. There are 6-inch supply water meters owned by the Town of Waynesville. As shown on Page 5, Item 17 of LJA's Application, there are no 6-inch water service taps in use, but there are nine 6-inch sewer service taps.
 - (a) **DAVIS REPLY:** Acknowledged.
- 7) **Please clarify item #7 (under Notes) in Attachment #2A to the Attachments to Application of LJA. How much is the "additional salary" and what to/for what is the "additional salary" adding to?**
- i) **APPLICANT'S RESPONSE:** In 2017, the water and sewer budget was adjusted to more accurately reflect the salary cost of providing water and sewer services across the entire Assembly Public Works Department.
 - (a) **DAVIS REPLY:** Response does not answer the request. Applicant uses the term "additional"; the request was additional to what? The administrative costs in the proposed budget far exceed that in all years prior to 2017. Again, the request was for the basis of the administrative costs (in the past) that are now being added to.
- 8) **In Attachment #2A to the Attachments to Application of LJA it appears that some of the annual base revenue was used to deliver water; one could argue for part of non-revenue water. If so, why is non-revenue water funded out of the base charges? When the water rates were more than doubled by LJA in 2013 there is documentation saying the intent at that time was to fund non-revenue water completely from water usage (volume) revenue.**

- i) **APPLICANT'S RESPONSE:** Attachment 2A reflects the cost of purchased water and sewer under NCUC guidelines, and it makes no distinction between base charge and usage charge water revenues.
(a) **DAVIS REPLY:** Noted.
- 9) What percentage of the total revenue water was consumed, by volume, through the commercial meters and what percent of the total water revenue was paid by customers of those meters, in each year 2016 through 2018, inclusive?**
- i) **APPLICANT'S RESPONSE:** Subject to the objections set forth in LJA's Response to Item 1, LJA will provide the requested data for 2017 and 2018. Please see Attachment No. 5.
(a) **DAVIS REPLY:** Acknowledged, subject to Reply for item #1.
- 10) Was a rent vs. buy, new vs. used, financial analysis done as part of the decision process to include a sewer (vacuum?) truck in the proposed capital plan? If so, please provide a copy of that analysis.**
- i) **APPLICANT'S RESPONSE:** No, not yet. An economic analysis for the life cost of a replacement vacuum water truck will be done in the fiscal year when the truck is to be acquired, based on funding available at that time.
(a) **DAVIS REPLY:** Recommend not including an item in the capital plan that in total amounts to about a year's worth of capital budget until/unless a financial analysis is done to justify.
- 11) Please explain the following sentences from the last paragraph of page 3 of Attachment #1D to the Attachments to Application of LJA - "LJA's situation and circumstances are unlike those of a typical water and sewer utility service provide. All of its plant has been paid for by its customers. Thus, LJA has no rate base and its rates will be set based on the operating ratio methodology."**
- i) **APPLICANT'S RESPONSE:** LJA's past investment in water and sewer infrastructure was recovered through the rates paid by its water and sewer service customers; it thus has no unrecovered investment, which is referred to in utility ratemaking as rate base. N.C. Gen. Stat. § 62-133.1 allows water and sewer utilities to have their rates set based on an operating ratio, rather than under N.C. Gen. Stat. § 62-133(b).
(a) **DAVIS REPLY:** The Response did not address "All of its plant has been paid for by its customers." The Applicant is a developer of real estate to which it has provided water/sewer service. If the Applicant recovered any or all of its costs to provide water/sewer to lots it developed, recommend the Applicant reimburse the water/sewer fund such costs since such costs are developer's costs with potential recovery through sale of real property.

- 12) Please explain the following sentences from pages 3 and 4 of Attachment #1D to the Attachments to Application of LJA - "LJA does not have access to other sources of capital to fund continuation of the work called for in the 10-Year Plan. Further, even if LJA could borrow money to fund this work, the typical rate making process would require filing of sequential rate cases to cover the debt. That approach would not be in the customers' best interest, as the debt service and rate case expenses would only increase the cost to LJA's rate payers of completing the 10-Year Plan." LJA recently completed an infrastructure project where, according to public announcements, it was funded in part through debt. Has a financial analysis been prepared to show that the cost of debt for work to complete the 10-Year Plan is not justifiable?**
- i) **APPLICANT'S RESPONSE:** No. If funds were borrowed to finance the cost of continued efforts to refurbish LJA's water and sewer system, assuming LJA could borrow money for such work, it would only increase the cost of that work for LJA's customers, which would not be in their best interest. In that scenario, the customers would end up paying even more, as they would have to pay for the cost of the work, plus the debt service.
- (a) **DAVIS REPLY:** Response is purely anecdotal. Debt is often the means of finance for infrastructure projects and often the benefits of a project outweigh the extra costs of incurring debt to finance it. Financial analysis considering debt should be part of how to accomplish a capital plan. Also, if an annual \$200,000 pay-as-you-go capital expenditure plan is adopted, recommend that this target be confirmed to both reduce water loss to some economically justified level and to support replacing the entire systems as sections reach the ends of service life.
- 13) Why has LJA retained ownership and management of the public water (and sewer) system rather than establishing a non-profit water/sewer corporation that could qualify for grants and low interest loans?**
- i) **APPLICANT'S RESPONSE:** LJA objects to this request, to the extent that it poses a hypothetical that is irrelevant to any issue legitimately presented in this docket, and is not reasonably calculated to lead to the discovery of relevant evidence. Subject to and without waiving the foregoing objections, any decision to consider any alternative ownership arrangement of LJA's water and sewer operations would be for the Lake Junaluska Assembly Board of Trustees.
- (a) **DAVIS REPLY:** This data request is relevant because Applicant makes a point to say "LJA does not have access to other sources of capital ...", when a potential remedy is readily apparent.
- 14) In Attachment #1C to the Attachments to Application of LJA it appears the calculation of REU is based on the total revenue water and total equivalent meters calculated from meter size factors. Aren't equivalent residential units usually based on the average (or peak) amount of water consumed by single-family residence with the typical size**

residential meter? What would the REU be if based on average revenue water volume for single-family residential ¾ inch meters?

i) APPLICANT'S RESPONSE: LJA objects to the request as to "what would the REU be if based on average revenue water volume for single-family residential ¾ inch meters." LJA does not calculate, possess or maintain data on this average in the ordinary course of its business, and LJA has no obligation to create data that it does not possess. Subject to and without waiving the foregoing objections, LJA believes this information is irrelevant to any issue in this matter as it understands that for purposes of setting a REU base facility charge (the charge for zero usage), the methodology traditionally used at the NCUC is that the REU is based on the capacity of various meter sizes as determined by American Water Works Association.

(a) DAVIS REPLY: Noted. Response does not address whether the methodology used for calculating REU in the application was not in accordance with typical methods.



John L. Davis
December 11, 2019

I/A

LABOR ALLOCATION:

Employee	Water/Sewer %	Service Charge %
Aldridge	50	50
Conner	10	90
James	25	75
King	0	100
Mull	100	0
Senocak	60	40
Thompson	60	40
Ward	100	0
Carlisle / Director	60	40

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE & NECESSITY AND FOR APPROVAL OF RATES

INSTRUCTIONS

Notes or explanations placed in the margins of the application are acceptable. If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable" or cross out the section.

APPLICANT

1. Trade name used for utility business Lake Junaluska Assembly, Incorporated

2. Name of owner (if different from trade name) Lake Junaluska Assembly, Incorporated Board of Trustees

3. Business mailing address PO Box 339

City and state Lake Junaluska Zip Code 28745

4. Business street address (if different from mailing address) 19 Sleepy Hollow Drive, Waynesville, NC 28785

5. Business telephone number (828) 452-5911

6. If corporation, list the following:

President Michael Warren Vice President Bishop Mary Virginia Taylor

Secretary Annette Brown Treasurer N/A Three (3) largest stockholders

and percent of voting shares held by each

Lake Junaluska Assembly, Incorporated is a 501(c)3 Non-Profit Corporation. No stockholders.

7. If partnership, list the owners and percent of ownership held by each

PROPOSED UTILITY SERVICE AREAS

8. Name of Subdivision or Service Area Lake Junaluska Assembly

9. County (or Counties) Haywood County

10. Type of Service (Water and/or Sewer) Water and Sewer

PROPOSED RATES

(Amount Applicant Proposes to Charge)

See Attachment #1C, Proposed Rates. For the reasons set forth in Attachment #1.D, LJA requests approval of a \$8.14/reu capital improvement assessment for every customer.

11. Metered Residential Service

Water: 782 customers

Sewer: 748 customers

12. Flat Rate Residential Service:

Water: 0 customers

Sewer: 25 Residential customers; 4 Nonresidential customers

13. Nonresidential Service (explain):

Water: 73 customers (Conference Center, B&Bs, offices for other organizations)

Sewer: 43 customers (Conference Center, B&Bs, offices for other organizations)

14. Tap-on fees:

Water: \$600

Sewer: \$650

15. Finance charge for late payment:

1 percent

(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)

16. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20:

\$15

17. Reconnection charge if water service discontinued at customer's request: \$0

\$0

18. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16:

\$15

19. Other charges: No other charges

PROPOSED BILLING

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Sep 28 2018

- 1. Frequency of billing shall be (monthly, quarterly, etc.) Monthly
- 2. Billing shall be for service (in advance or arrears) Arrears
- 3. Bills past due 25 days after billing dates: (NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).

4. Will regular billing be by written statement? (yes or no) Yes

5. Will the billing statement contain the following? (Indicate yes or no for each item)

- (a) Meter reading at beginning and end of billing period Yes
- (b) Date of meter readings Yes
- (c) Gallons used, based on meter readings Yes, in Cubic feet
- (d) Amount due for current billing period listed as a separate amount Yes
- (e) Amount due from previous billing period listed as a separate amount Yes
- (f) Amount due for each special charge (i.e., deposits, tap fees, etc.) listed as a separate amount .. Yes

6. Show how the following will appear on the billing statement:

(a) Mailing address of company: PO Box 339, Lake Junaluska, NC 28745

(b) Address where bill can be paid in person: 19 Sleepy Hollow Drive, Waynesville, NC, 28785

(c) Name and phone number of alternative persons to contact for emergency service after business hours:
After Hours Public Works (828) 734-2987; Haywood County Sheriff's Emergency Dispatch (828) 452-6666; Jack Carlisle (813) 495-2139

7. Is service already metered? (yes or no) Yes

8. Does the Applicant understand the provisions for establishing credit and collecting customer deposits set forth in NCUC Rules and Regulations, Chapter 12? (yes or no) Yes

(Customer deposits must be refunded to customers having not more than two (2) bills overdue during a 12-month period and who are not then delinquent on the payment of their bills, per NCUC Rule R12-5.)

PRESENT RATES

9. Are you presently charging for service? If so, describe the rates being charged.

Yes. See Current rate chart, Attachment #1.B.

10. How long have these rates been in effect?

Since November 1, 2017

PERSONS TO CONTACT

	<u>NAME</u>	<u>ADDRESS</u>	<u>TELEPHONE</u>
11. General Manager	<u>Jack Carlisle</u>	<u>19 Sleepy Hollow Dr. Waynesville, NC 28785</u>	<u>(828) 452-5911</u>
12. Complaints or Billing	<u>Jenna Senocak</u>	<u>Same</u>	<u>Same</u>
13. Engineering Operations	<u>Jack Carlisle</u>	<u>Same</u>	<u>Same</u>
14. Emergency Service	<u>Office</u>	<u>Same</u>	<u>Same</u>
15. Accounting	<u>Jenna Senocak</u>	<u>Same</u>	<u>Same</u>

16. Are the names and phone numbers shown above listed in the phone book by each of the proposed service areas?
(yes or no) No

17. Can customers make phone calls for service without being charged for a long distance phone call? (yes or no)
Yes

18. Do persons designated to receive phone calls for emergency service, after regular business hours, have authority to provide the needed repairs without first contacting owner? (yes or no) Yes

19. List the qualifications of the person in charge of the utility system:
**David Ward, Operator in Responsible Charge, NC Water Treatment Facility Operator Board - "B"
Distribution License #070330, NC Water Pollution Control System Certification License #992293**

20. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer, or rate increase: None

18.	Number of customers at the end of test year	Water	<u>855</u>	<u> </u>	<u> </u>
		Sewer	<u>823</u>	<u> </u>	<u> </u>
19.	Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.)	Water	<u>1,018</u>	<u> </u>	<u> </u>
		Sewer	<u>1,014</u>	<u> </u>	<u> </u>
20.	Number of customers that can be served by pumping capacity	Water	<u>990</u>	<u> </u>	<u> </u>
21.	Number of customers that can be served by storage tank capacity	Water	<u>800</u>	<u> </u>	<u> </u>
22.	Number of customers that can be served by treatment plant capacity	Sewer	<u>N/A- we do not have a treatment plant</u>	<u> </u>	<u> </u>
23.	Name nearest water/sewer utility system		<u>Town of Waynesville & Junaluska Sanitary District</u>	<u> </u>	<u> </u>
24.	Distance to nearest water/sewer utility system		<u>Contiguous</u>	<u> </u>	<u> </u>
25.	Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no)		<u>No</u>	<u> </u>	<u> </u>
26.	a. DENR System I.D. No.	Water	<u>NC 01-44-107</u>	<u> </u>	<u> </u>
	b. NPDES or Nondischarge Permit No.	Sewer	<u>Collection System ID: 00184</u>	<u> </u>	<u> </u>

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Sep 28 2018

FINANCIAL STATEMENT

1. Will a separate set of books be maintained for the utility business?

Yes

2. Will a separate bank account be maintained for the utility business?

Yes

3. Are the revenues and expenses listed below based on past operations or are they estimated for future operations?

(actual or estimated) 2018 Estimated/adjusted budget, please see Attachment #2

Note: If the Applicant already holds a public utility franchise, the proposed service area is new (i.e., there are no customers being served), and the proposed rates herein are the same as those previously approved, then the financial information below (lines 4 through 35) may be omitted.

REVENUES AND EXPENSES

For 12 Months Ended 2018 Budget (Date)
(Attachment #2)

<u>Revenues</u>	<u>Water</u>	<u>Sewer</u>
4. Residential service (flat rate)	\$ _____	\$ _____
5. Residential service (metered rate)	\$ _____	\$ _____
6. Nonresidential service (flat rate)	\$ _____	\$ _____
7. Nonresidential service (metered rate)	\$ _____	\$ _____
8. Other revenues (describe in remarks below)	\$ _____	\$ _____
9. Total Revenues (Lines 4 thru 8)	\$ _____	\$ _____
10. Total salaries (except owner)	\$ _____	\$ _____
11. Salaries paid to owner	\$ _____	\$ _____
12. Administrative and office expense (except salaries)	\$ _____	\$ _____
13. Maintenance and repair expense (except salaries)	\$ _____	\$ _____
14. Transportation expenses	\$ _____	\$ _____
15. Electric power for pumping	\$ _____	\$ _____
16. Chemicals for treatment	\$ _____	\$ _____
17. Testing fees	\$ _____	\$ _____
18. Permit fees	\$ _____	\$ _____

19. Purchased water/sewer treatment	\$ _____	\$ _____
20. Annual depreciation	\$ _____	\$ _____
21. Taxes: State income taxes	\$ _____	\$ _____
22. Federal income taxes	\$ _____	\$ _____
23. Gross receipts (or franchise tax)	\$ _____	\$ _____
24. Property taxes	\$ _____	\$ _____
25. Payroll taxes	\$ _____	\$ _____
26. Other taxes	\$ _____	\$ _____
27. Interest on debt during year	\$ _____	\$ _____
28. Other expenses (describe in remarks below)	\$ _____	\$ _____
29. Total Expenses (Lines 10 thru 28)	\$ _____	\$ _____
30. Net Income (Line 9 minus Line 29)	\$ _____	\$ _____

Remarks

31. None

NUMBER OF CUSTOMERS SERVED

	<u>Water</u>		<u>Sewer</u>	
	<u>Flat Rate</u>	<u>Metered</u>	<u>Flat Rate</u>	<u>Metered</u>
36. Customers at beginning of year	<u>0</u>	<u>851</u>	<u>29</u>	<u>790</u>
37. Customers at end of year	<u>0</u>	<u>855</u>	<u>29</u>	<u>794</u>
38. Average gallons used per customer	<u>3.77 ccf or 2,820 gal/mo/reu</u> per month			

COST OF UTILITY SYSTEM

1. Is the cost of utility system listed below based on past operation, or is it estimated for future operation?

(actual or estimated) Actual

2. Does the cost of utility system listed below represent the cost to the Applicant herein? (yes or no)

Yes

If no, list cost (purchase price to Applicant). _____

ORIGINAL COST OF UTILITY SYSTEM

As of Year _____ (Date)
Ended _____

* Historical records do not exist documenting the original cost of the system.

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	<u>Utility Property in Service</u>	
	<u>Water</u>	<u>Sewer</u>
3. Land and rights-of-way	\$ _____	\$ _____
4. Structures and site improvement	\$ _____	\$ _____
5. Wells	\$ _____	\$ _____
6. Pumping equipment	\$ _____	\$ _____
7. Treatment equipment	\$ _____	\$ _____
8. Storage tanks	\$ _____	\$ _____
9. Mains (excluding service connections)	\$ _____	\$ _____
10. Service connections	\$ _____	\$ _____
11. Meters (including spare meters)	\$ _____	\$ _____
12. Office furniture and equipment	\$ _____	\$ _____
13. Transportation equipment	\$ _____	\$ _____
14. Other utility property in service (describe in remarks below)	\$ _____	\$ _____
15. Total utility property in service (Lines 3 thru 14)	\$ _____	\$ _____
16. Less: accumulated depreciation	\$ _____	\$ _____
17. Less: accumulated tap fees and other contributions in aid of construction	\$ _____	\$ _____
18. Less: customer advances	\$ _____	\$ _____
19. Net investment in utility property (Line 15 minus 16, 17, & 18)	\$ _____	\$ _____

	<u>Utility Property Not in Service</u>	
	<u>Water</u>	<u>Sewer</u>
20. Construction work in progress	\$ _____	\$ _____

- 21. Property held for future use \$ _____ \$ _____
- 22. Other (describe in remarks below) \$ _____ \$ _____

Remarks

- 23. **System is "pay-as-you-go," funded from customer rates** _____
- 24. _____
- 25. _____
- 26. _____

RECOVERY OF PLANT COST

The utility proposes to recover the cost of the plant listed on Page 5, Line 15 as follows:

	<u>Water</u>	<u>Sewer</u>
1. Amount to be contributed by developer	\$ <u>0</u>	\$ <u>0</u>
2. Amount to be recovered through tap fees	\$ <u>Nominal amount</u>	\$ _____
3. Amount to be recovered through rates	\$ <u>100 percent</u>	\$ _____
4. Other (please describe below on Line 6)	\$ _____	\$ _____
5. Total cost of plant	\$ _____	\$ _____

- 6. Description of other:

ANNUAL DEPRECIATION

***N/A, as Applicant is a tax-exempt non-profit and improvements are funded from customer rates**

7. If annual depreciation is claimed using a composite rate for the entire system, show rate of depreciation used:

Water: _____

Sewer: _____

8. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used: _____

OTHER FINANCIAL INFORMATION

1. Please provide the following capital structure information for the Company prior to the purchase of the new water and/or sewer system(s):

*** N/A as Applicant created the system beginning in 1913, financed from the sale of property.**

a. Capital structure as of _____

b. Capital structure balances:

	<u>Amount</u>	<u>Percent Of Total Capital</u>
Long-term debt/loans	\$ 0 _____	_____
Preferred stock (if any)	\$ 0 _____	_____
Common equity:		
Common stock	\$ 0 _____	_____
Retained earnings	\$ 0 _____	_____
Total common equity	\$ 0 _____	_____
 Total capital	 \$ 0 _____	 100% _____

2. The purchase price of the system will be financed as follows:

- a. Long-term debt \$ 0 _____
- b. Short-term debt \$ 0 _____
- c. Common stock \$ 0 _____
- d. Retained earnings \$ 0 _____
- e. Other (please describe below on Line g) \$ 0 _____
- f. Total purchase price \$ 0 _____

g. Description of other: _____

3. Please provide the following for improvements/additions to be made in the first year:

a. Brief description: **Ongoing replacement of aging infrastructure, water and sewer, \$200,000. See Attachment #3**

b. Financing:

- (1) Long-term debt \$ 0 _____
- (2) Short-term debt \$ **50,000 – 70,000 as a result of billing in arrears** _____
- (3) Common stock \$ 0 _____
- (4) Retained earnings \$ 0 _____
- (5) Other (please describe below on Line (7)) \$ 0 _____
- (6) Total improvements/additions \$ 0 _____

(7) Description of other: **Source of financing improvements is currently built into the rates as a "pay-as-you-go" system.**

- 1. Are there any major improvements/additions required in the next five years and the next ten years? Indicate the estimated cost of each improvement/addition, the year it will be made, and how it will be financed (long-term debt, short-term debt, common stock, retained earnings, and other (please explain)).

No plans for new additions. Replacement plan is delineated below.

- 2. Are there any major replacements required in the next five years and the next ten years? Indicate the estimated cost of each replacement, the year it will be made, and how it will be financed (long-term debt, short-term debt, common stock, retained earnings, and other (please explain)).

5-YEAR SYSTEM IMPROVEMENT PLAN: See Attachment #3A

**10-YEAR SYSTEM IMPROVEMENT PLAN:
2024-2029 Capital Program to be delineated following completion of a new engineering study in 2020-2021, with an assumption of continued capital investment of at least \$200,000.**

- 3. Please fill out the attached addendum showing the projected cash flows and income statement for the first five years of operation of this system. This addendum should be for the utility system for which the subject application is being submitted, exclusively. Instructions are included on page 3 of the addendum. The following information may be provided instead of filing the addendum:

**** Providing this information in lieu of the addendum:**

- (1) Audited financial statements for the utility and/or parent company.

See 2017 Audited Financial Statement (Exhibit E)

- (2) Budgets, capital and operating, for the company's North Carolina utility operations for the next five years.

See 5-Year Fiscal Projections (Attachment #4)

- (3) The most recent fiscal year budgets, capital and operating, and the actual amounts for that year for the utility's and/or parent company's North Carolina utility operations.

2018 Water/Sewer Budget (Attachment #2)

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

1. If the Applicant is a corporation, enclose a copy of the Articles of Incorporation on file with the North Carolina Secretary of State. (Not required if previously filed with the Commission.)

Filed previously with the 2007 application in Docket W-1274, Sub 0.

2. If the Applicants are doing business as a partnership, enclose a copy of the partnership agreement. (Not required if previously filed with the Commission.)

N/A - Applicant is a non-profit.

3. If the Applicant is conducting business under a trade name or d/b/a, enclose a copy of the certificate filed with the register of deeds in each county where the Applicant will be conducting business as required by G.S. 66-68.

N/A

4. Enclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each water system.

Enclosed - Exhibit A

5. Enclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each sewer system.

Enclosed - Exhibit B

6. Enclose a copy of a Division of Environmental Health (DEH) report on a chemical analysis of untreated water from each well. (This should not be confused with the monthly samples submitted to DEH for bacteriological analysis. Contact DEH for instructions to obtain a sample for chemical analysis.)

N/A - Applicant is a purchased water and sewer system

7. Enclose a copy of purchase agreements or contracts showing provision for ownership or control of the water or sewer systems, including sites for wells or treatment plants.

N/A - Applicant is a purchased water and sewer system

8. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the utility and any other party (land developers, customers, etc.) regarding the proposed utility services, including contracts regarding tap fees, construction costs, easements, and rights-of-way, etc. (If none, write "none").

None

9. Enclose a vicinity map showing the location of the proposed subdivisions or service areas in sufficient detail for someone not familiar with the county to locate the subdivisions. (A county roadmap with the subdivisions outlined is suggested.)

Enclosed – Exhibit C

10. Enclose maps of the subdivisions in sufficient detail to show the layout of streets, lots, the water or sewer mains, hydrants, wells, pumping equipment, treatment facilities, storage facilities, etc.

Enclosed – Exhibit D

11. Enclose a copy of the workpapers supporting the estimate of the plant costs, including a breakdown by type of plant item, showing the detail of how the estimated cost was determined, and indicating which plant items, if any, will be contributed to the utility.

N/A - Applicant is a purchased water and sewer system

12. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Applicant.

Enclosed – Exhibit E

13. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Applicant.

Enclosed – Exhibit E

14. If the information requested in Exhibits 12 and 13 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the utility and/or parent company.

FILING INSTRUCTIONS

15. Eight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325**. One of these copies must have an original signature. (Applicants must also provide any copies to be returned to them.)

16. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$250 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$100 filing fee. A Class C company (annual revenues less than \$200,000) requires a \$25 filing fee. **MAKE CHECK PAYABLE TO THE N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.**

SIGNATURE

17. Application shall be signed and verified by the Applicant.

Signature McK B Howle

Date 9-24-18

18. (Typed or Printed Name)

McKenzie B Howle

personally appearing before me and, being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.

This the 24 day of September, 2018

Leslie Ann Oliver
Notary Public
Leslie Ann Oliver

726 Jenkins Valley Rd Alexander NC 28701
Address

My Commission Expires: 9/20/2021
Date

*Application
Attachments
1A*

BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION

Docket No. W-1274, Sub 7

In the Matter of)
Application of Lake Junaluska Assembly,)
Incorporated for a Certificate of Public)
Convenience and Necessity and for)
Approval of Rates)

Attachments to Application of Lake Junaluska Assembly, Incorporated

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**Lake Junaluska Assembly Public Works
CURRENT AND PROPOSED RATES COMPARISON**

Attachment #1A

**OFFICIAL COPY
Sep 28 2018**

WATER

<i>Metered Rate Codes</i>		Current Rates		Proposed Rates		Assessment
Rate code	Meter type	Base Rate	Usage Rate/ccf	Base Rate	Usage Rate/ccf	reu/mo.
W00	3/4" meter commercial	\$ 22.24	\$ 3.27	\$ 19.75	\$ 3.27	\$ 8.14
W01	3/4" meter residential	\$ 22.24	\$ 3.27	\$ 19.75	\$ 3.27	\$ 8.14
W02	1" meter commercial	\$ 56.22	\$ 3.27	\$ 49.38	\$ 3.27	\$ 20.35
W03	2" meter commercial	\$ 177.28	\$ 3.27	\$ 158.00	\$ 3.27	\$ 65.12
W04	3" meter commercial	\$ 321.98	\$ 3.27	\$ 296.25	\$ 3.27	\$ 122.10
W05	4" meter commercial	\$ 561.99	\$ 3.27	\$ 493.75	\$ 3.27	\$ 203.50
W06	4" meter gallons commercial (<i>per k gallon rate</i>)	\$ 561.99	\$ 4.37	\$ 493.75	\$ 4.37	\$ 203.50
W07	1" irrigation/water only commercial	\$ 56.22	\$ 7.06	\$ 49.38	\$ 7.67	\$ 20.35
W08	3/4" holston/water only residential	\$ 22.24	\$ 7.06	\$ 19.75	\$ 7.67	\$ 8.14
W09	3/4" irrig/ldscp- water only residential	\$ 22.24	\$ 7.06	\$ 19.75	\$ 7.67	\$ 8.14

Note: Water only usage rates include sewer usage rate since LJA pays Waynesville sewer charge for all water used.

SEWER

<i>Rate Codes for Metered Water Customers</i>		Current Rates		Proposed Rates		Assessment
Rate Code	Type	Base Rate	Usage Rate/ccf	Base Rate	Usage Rate/ccf	reu/mo.
S00	3/4" sewer commercial	\$ 15.94	\$ 3.99	\$ 17.00	\$ 4.40	\$ 8.14
S01	3/4" sewer residential	\$ 15.94	\$ 3.99	\$ 17.00	\$ 4.40	\$ 8.14
S02	1" sewer commercial	\$ 34.92	\$ 3.99	\$ 42.50	\$ 4.40	\$ 20.35
S03	2" sewer commercial	\$ 111.68	\$ 3.99	\$ 136.00	\$ 4.40	\$ 65.12
S04	3" sewer commercial	\$ 230.36	\$ 3.99	\$ 255.00	\$ 4.40	\$ 122.10
S05	4" sewer commercial	\$ 349.04	\$ 3.99	\$ 425.00	\$ 4.40	\$ 203.50
S05	4" sewer gallons commercial (<i>per k gallon rate</i>)	\$ 349.04	\$ 5.33	\$ 425.00	\$ 5.88	\$ 203.50
<i>Flat Rate Sewer</i>		Current Rates		Proposed Rates		Assessment
Rate Code	Type	Flat Rate	Usage Rate	Flat Rate	Usage Rate	reu/mo.
SE1	sewer only residential	\$ 25.91	n/a	\$ 29.00	n/a	\$ 8.14
SE2	sewer only commercial	\$ 25.91	n/a	\$ 29.00	n/a	\$ 8.14
SE3	sewer only- restaurant	\$ 161.38	n/a	\$ 232.00	n/a	\$ 65.12
SE4	sewer only- mh park	\$ 351.34	n/a	\$ 435.00	n/a	\$ 122.10

Average usage per residential equivalent unit = 3.77 ccf or 2,820 gal./month/reu

Average water bill at current rate = \$22.24 + (3.77 x \$3.27) =	\$34.57	
Average water bill at proposed rate = \$19.75 base + \$8.14 assessment + (3.77 x \$3.27) =	\$40.22	
Increase	\$5.65	16.34%
Average sewer bill at current rate = \$15.94 + (3.77 x \$3.99) =	\$30.98	
Average sewer bill at proposed rate = \$17.00 base + \$8.14 assessment + (3.77 x \$4.40) =	\$41.72	
Increase	\$10.74	34.67%

Lake Junaluska Assembly Public Works

Attachment #1B

BILLING ANALYSIS: CURRENT RATES, 2017 USAGE & CURRENT CUSTOMERS

WATER

<i>Metered Rate codes</i>					
Rate code	Meter type	Rate	Usage Rate	Number of Customers	Revenue
W00	3/4" meter commercial	\$ 22.24	\$ 0.0326550000	17	\$ 4,536.96
W01	3/4" meter residential	\$ 22.24	\$ 0.0326550000	752	\$ 200,693.76
W02	1" meter commercial	\$ 56.22	\$ 0.0326550000	14	\$ 9,444.96
W03	2" meter commercial	\$ 177.28	\$ 0.0326550000	6	\$ 12,764.16
W04	3" meter commercial	\$ 321.98	\$ 0.0326550000	1	\$ 3,863.76
W05	4" meter commercial	\$ 561.99	\$ 0.0326550000	3	\$ 20,231.64
W06	4" meter gallons commercial	\$ 561.99	\$ 0.0043659000	1	\$ 6,743.88
W07	1" irrigation/water only commercial	\$ 56.22	\$ 0.0706125000	2	\$ 1,349.28
W08	3/4" holston/water only residential	\$ 22.24	\$ 0.0706125000	29	\$ 7,739.52
W09	3/4" irrig/ldscp- water only residential	\$ 22.24	\$ 0.0706125000	30	\$ 8,006.40
Total Water Base Revenue				855	\$ 275,374.32
			Rate/cubic ft.	Water Usage (cubic ft.)	
Total Water Usage Revenue			\$ 0.0326550000	4,663,143	\$ 152,274.93
TOTAL WATER REVENUE					\$ 427,649.25

SEWER

<i>Rate codes for Metered Water Customers</i>					
Rate Code	Type	Rate	Usage Rate	Number of Customers	Revenue
S00	3/4" sewer commercial	\$ 15.94	\$ 0.0398553750	17	\$ 3,251.76
S01	3/4" sewer residential	\$ 15.94	\$ 0.0398553750	752	\$ 143,842.56
S02	1" sewer commercial	\$ 34.92	\$ 0.0398553750	14	\$ 5,866.56
S03	2" sewer commercial	\$ 111.68	\$ 0.0398553750	6	\$ 8,040.96
S04	3" sewer commercial	\$ 230.36	\$ 0.0398553750	1	\$ 2,764.32
S05	4" sewer commercial	\$ 349.04	\$ 0.0398553750	3	\$ 12,565.44
S06	4" sewer gallons commercial	\$ 349.04	\$ 0.0053283825	1	\$ 4,188.48
Total Sewer Base Revenue					\$ 180,520.08
			Rate/cubic ft.	Sewer Usage (cubic ft.)	
Total Sewer Usage Revenue			\$ 0.0399000000	4,663,143	\$ 186,059.41
Total Metered Sewer Revenue					\$ 366,579.49
<i>Flat Rate Sewer</i>					
Rate Code	Type	Rate	Usage Rate	Number of Customers	Revenue
SE1	sewer only residential	\$ 25.91	n/a	25	\$ 7,773.00
SE2	sewer only commercial	\$ 25.91	n/a	2	\$ 621.84
SE3	sewer only- restaurant	\$ 161.38	n/a	1	\$ 1,936.56
SE4	sewer only- mh park	\$ 351.34	n/a	1	\$ 4,216.08
Total Flat Rate Sewer					\$ 14,547.48
TOTAL SEWER REVENUE					\$ 381,126.97

TOTAL ANNUAL REVENUE	\$ 808,776.22
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Lake Junaluska Assembly Public Works

Attachment #1D

RATIONALE FOR REQUEST FOR APPROVAL OF MONTHLY ASSESSMENT

In its Application for a Certificate of Public Convenience and Necessity and for Approval of Rates, Lake Junaluska Assembly, Incorporated (“LJA”) seeks Commission approval of rates that include a monthly customer assessment designed to generate capital necessary to fund LJA’s continued work to address problems in the water distribution and wastewater collection infrastructure serving the Lake Junaluska community.

LJA purchases bulk water and wastewater treatment service from the Town of Waynesville, and has done so for many years. LJA was initially regulated by the Commission in 2007. As shown by proceedings in Dockets W-1274, Sub 0 and Sub 2 in June of 2008, at that time there were significant problems relating to the extent of water leaks from LJA's aged infrastructure. As shown in the Public Staff's Motion to Amend Order and Approve Pass Through filed in those dockets, in the first three months of LJA’s operation under the rates initially set for LJA by the Commission, LJA experienced a revenue shortfall of \$19,644.00.¹ That shortfall was a product of LJA having incurred costs of \$54,510 to purchase water and sewer service from Waynesville during that three-month period, while it collected only \$29,970 from its customers for those services.

The Public Staff’s Motion to Amend Order in those dockets included data from LJA relating to bulk water purchased and metered water sold for the period January 2006 through April 2008. That data showed that in 2006 48% of the purchased water was not accounted for; in 2007 33% of the purchased water was not accounted for; and in the first four months of 2008, 41% of

¹ <http://starw1.ncuc.net/NCUC/ViewFile.aspx?Id=a1c4eb75-89e1-4fb4-a01d-0b7366b19064>

the purchased water was not accounted for. In its Motion to Amend Order, the Public Staff noted the following with regard to the loss of purchased water:

[D]ue to the extreme age of portions of the Lake Junaluska Assembly distribution system (some lines are 100 years old and 50% of the lines are more than 50 years old), the various leaks, the extremely high water pressure resulting from the mountain setting which at the lake elevation may exceed 200 psi, older meters, and the necessary flushing of water and wastewater lines, recommends a 25% unaccounted for water allowance to be built into the revenue requirement and rates.²

The Public Staff also recommended in its Motion to Amend Order that LJA “needs to be incentivized to continue to reduce its unaccounted for water.”³ The Commission granted the Public Staff’s Motion to Amend Order and revised LJA’s rates to include an unaccounted for water allowance in its *Order Amending Prior Franchise Order, Approving Tariff Provision, and Requiring Customer Notice* issued June 25, 2008.

In August of 2011 the Commission exempted LJA from regulation. Given the extent of the water loss and leakage in its infrastructure, the other infrastructure issues recognized in the Public Staff’s Motion to Amend Order, and the obvious economic incentive to minimize the loss of purchased water (water losses also increase Waynesville’s billings for wastewater treatment), LJA thereafter commissioned an engineering analysis of its water distribution and wastewater collection systems. The resulting report from a consulting engineering firm issued in May of 2012 included a 10-year Water and Sewer Capital Improvements Plan (“the 10-Year Plan”).⁴ The 10-Year Plan recommended numerous projects to address issues and problems with LJA’s infrastructure, principally focusing on detecting and eliminating leaks in the water distribution

² Public Staff Motion to Amend Order ¶ 8.

³ Public Staff Motion to Amend Order ¶ 10.

⁴ http://www.lakejunaluska.com/i/downloads/CIP_Final.pdf

system. That Plan projected total capital outlays over ten years for work on the water distribution system of nearly \$1.2 million and nearly \$600,000 for work on the wastewater collection system.

LJA thereafter implemented periodic rate increases in order to generate capital necessary to fund the work called for in the 10-Year Plan to eliminate water leaks and address other issues and problems in the water distribution and wastewater collection infrastructure serving the Lake Junaluska community. As shown in Attachment 3B, LJA first began using that funding to replace water and sewer lines in 2014. Since then LJA has averaged spending approximately \$200,000 per year to repair, replace, improve and modernize its water and sewer infrastructure. LJA has seen great improvement as a result of those investments, but work under the 10-Year Plan is not complete, and there are still problems to be addressed. Given the age of its water and sewer infrastructure, LJA anticipates that it will commission another engineering study in 2020 or 2021 to identify any additional necessary improvements to the water and sewer infrastructure serving the community.

At this point, LJA still experiences purchased water losses in the low to mid-20% range, so further work is required to reduce and eliminate water leaks and address issues with aging sewer infrastructure. LJA therefore requests that the Commission approve a customer assessment or other funding mechanism at this time to generate sufficient funding for it to complete the work called for in the 10-Year Plan.

LJA's situation and circumstances are unlike those of a typical water and sewer utility service provider. All of its plant has been paid for by its customers. Thus, LJA has no rate base and its rates will be set based on the operating ratio methodology. LJA does not have access to other sources of capital to fund continuation of the work called for in the 10-Year Plan. Further, even if LJA could borrow money to fund this work, the typical ratemaking process would require

filing of sequential rate cases to cover the debt. That approach would not be in the customers' best interest, as the debt service and rate case expenses would only increase the cost to LJA's rate payers of completing the 10-Year Plan work. Likewise, failure to continue efforts to complete the work called for in the 10-Year Plan would not be in the best interest of LJA's customers, as continued losses of purchased water will continue to result in higher billings from Waynesville - which billings will be reduced as leaks and water loss issues are addressed. The most feasible and practical source of capital to fund work on LJA's water and sewer infrastructure is LJA's customers, who are the beneficiaries of the work to improve that infrastructure.

Based on the foregoing, LJA respectfully requests that the Commission recognize its unique circumstances and approve its proposed rates for water and sewer service at a level calculated to generate sufficient capital to fund the work called for in the 10-Year Plan. With a new engineering study of LJA's water and sewer infrastructure system planned for the next two to three years, the level of any assessment to fund future capital improvements can be evaluated in future proceedings before the Commission.

Lake Junaluska Assembly Public Works

Attachment #2A

2018 WATER & SEWER ADJUSTED BUDGET BASED ON PRESENT RATES

	WATER AND SEWER REVENUES AND EXPENSES	2018 Adjusted Budget		
		Water	Sewer	Total
1.	Residential service (flat rate)		\$ 7,773.00	
2.	Residential service (metered rate)	\$ 305,844.43	\$ 291,108.61	
3.	Nonresidential service (flat rate)		\$ 6,774.48	
4.	Nonresidential service (metered rate)	\$ 121,804.82	\$ 75,470.88	
5.	Other revenues (describe in remarks below)			
6.	TOTAL REVENUES (Lines 1 thru 5)	\$ 427,649.25	\$ 381,126.97	\$ 808,776.22
7.	Total salaries	\$ 91,904.00	\$ 91,904.00	
8.	Administrative and office expense (except salaries)	\$ 31,449.50	\$ 31,449.50	
9.	Maintenance and repair expense (except salaries)	\$ 6,000.00	\$ 9,000.00	
10.	Transportation expenses	\$ 8,910.00	\$ 8,910.00	
11.	Electric power for pumping	\$ 1,600.00	\$ 1,600.00	
12.	Chemicals for treatment			
13.	Testing fees	\$ 3,960.00	\$ 1,500.00	
14.	Permit fees	\$ 1,250.00	\$ 1,250.00	
15.	Purchased water/sewer treatment	\$ 179,900.00	\$ 199,810.00	
16.	Annual depreciation			
17.	Taxes: State income taxes			
18.	Federal income taxes			
19.	Gross receipts (or franchise tax)			
20.	Property taxes			
21.	Payroll taxes	\$ 7,030.50	\$ 7,030.50	
22.	Other taxes	\$ 618.52	\$ 626.65	
23.	Other expenses (described in remarks below)	\$ 23,218.50	\$ 23,218.50	
	Regulatory Commission Expense ***	\$ 5,000.00	\$ 5,000.00	
24.	TOTAL EXPENSES (Lines 7 thru 23)	\$ 360,841.02	\$ 381,299.15	\$ 742,140.17
25.	Net Operating Income (Line 6 minus Line 24)	\$ 66,808.23	\$ (172.18)	
	Capital Improvement Expenses	\$ 65,236.05		
26.	Interest on debt during year	\$ 700.00	\$ 700.00	
27.	NET INCOME (Line 25 minus Line 26)	\$ 872.18	\$ (872.18)	\$ (0.00)

NOTES

- Item 7.- In the Salaries line item we are budgetting additional salary from other areas that do work related to Water and Sewer. Those items are: 60% from administration, 10% from Solid waste, 50% from streets.
- Item 8.- Items expensed here are the following: Paycom fees, postage, cellphone expense, educational travel, copies, administrative support, software services, insurance, utilities, supplies, uniforms, office rent.
- Item 9.- Items expensed here are the following: Maintenance equipment, maintenance and repair water and sewer, equipment
- Item 10.- Gasoline, vehicle leases, vehicle repairs.
- Item 23.- Health benefits, call out budget, long term disability, pension contribution, workers comp, utilities electric for shop, credit card and banking processing fees, interest on line of credit, legal services.
- ***. This includes \$10K as an estimate for consulting fees, legal fees, application fee: \$5k for water and \$5k for sewer

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Lake Junaluska Assembly Public Works

Attachment #2B

2018 WATER & SEWER ADJUSTED BUDGET BASED ON PROPOSED RATES

	WATER AND SEWER REVENUES AND EXPENSES	2018 Adjusted Budget		
		Water	Sewer	Total
1.	Residential service (flat rate)			
2.	Residential service (metered rate)			
3.	Nonresidential service (flat rate)			
4.	Nonresidential service (metered rate)			
5.	Other revenues (describe in remarks below)			
6.	TOTAL REVENUES (Lines 1 thru 5)	\$ 396,831.78	\$ 419,846.29	\$ 816,678.07
7.	Total salaries	\$ 91,904.00	\$ 91,904.00	
8.	Administrative and office expense (except salaries)	\$ 31,449.50	\$ 31,449.50	
9.	Maintenance and repair expense (except salaries)	\$ 6,000.00	\$ 9,000.00	
10.	Transportation expenses	\$ 8,910.00	\$ 8,910.00	
11.	Electric power for pumping	\$ 1,600.00	\$ 1,600.00	
12.	Chemicals for treatment			
13.	Testing fees	\$ 3,960.00	\$ 1,500.00	
14.	Permit fees	\$ 1,250.00	\$ 1,250.00	
15.	Purchased water/sewer treatment	\$ 179,900.00	\$ 199,810.00	
16.	Annual depreciation			
17.	Taxes: State income taxes			
18.	Federal income taxes			
19.	Gross receipts (or franchise tax)			
20.	Property taxes			
21.	Payroll taxes	\$ 7,030.50	\$ 7,030.50	
22.	Other taxes	\$ 618.52	\$ 626.65	
23.	Other expenses (described in remarks below)	\$ 23,218.50	\$ 23,218.50	
	Regulatory Commission Expense ***	\$ 5,000.00	\$ 5,000.00	
24.	TOTAL EXPENSES (Lines 7 thru 23)	\$ 360,841.02	\$ 381,299.15	\$ 742,140.17
25.	Net Operating Income (Line 6 minus Line 24)	\$ 35,990.76	\$ 38,547.14	\$ 74,537.90
26.	Capital Improvement Assessment Revenues	\$ 100,708.00	\$ 99,340.00	

NOTES

- Item 7.- In the Salaries line item we are budgetting additional salary from other areas that do work related to Water and Sewer. Those items are: 60% from administration, 10% from Solid waste, 50% from streets.
- Item 8.- Items expensed here are the following: Paycom fees, postage, cellphone expense, educational travel, copies, administrative support, software services, insurance, utilities, supplies, uniforms, office rent.
- Item 9.- Items expensed here are the following: Maintenance equipment, maintenance and repair of water and sewer, equipment.
- Item 10.- Gasoline, vehicle leases, vehicle repairs.
- Item 23.- Health benefits, call out budget, long term disability, pension contribution, workers comp, utilities electric for shop, credit card and banking processing fees, interest on line of credit, legal services.
- ***- This includes \$10k as an estimate for consulting fees, legal fees, application fee: \$5k for water and \$5k for sewer.

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**Lake Junaluska Assembly Public Works
FIVE-YEAR SYSTEM IMPROVEMENT PLAN**

Attachment #3A

Year(s)	Location	Scope	Estim Project Cost	Incl in Eng Plans
2018	Radio Read Meter Project (cont.)	Replacement of twelve 1" meters with electronic meters	\$25,400	yes
	TOTAL		\$25,400	
2019	Atkins Loop	Replacement of 400' 2" water line	\$32,000	no
	GIS Mapping Project	Purchase of GIS mapping equipment	\$5,000	State requirement
	Holston Village Road	Replacement of 175' 2" water line	\$15,000	no
	North Lakeshore Drive	Rerouting 4 sewer lines into a new manhole, removing 2 water valves	\$50,000	yes
	Radio Read Meter Project (cont.)	Replacement of 225 meters with electronic meters	\$40,500	yes
	Reservoir/Pump Station Study	Engineering study of old reservoir/pump station	\$10,000	no
	Siler Circle	Replacement of 300' 2" water line	\$28,000	yes
	Unidentified	Currently unknown projects	\$19,500	Unknown
TOTAL		\$200,000		
2020	Oxford Road	Replacement of 500' 8" sewer & 500' 6" water lines, 2 new manholes	\$100,000	yes
	Sewer Truck	1st Payment towards a new sewer truck (Paid over 3 years)	\$60,000	no
	White Dogwood Road	600' 2" water lines	\$40,000	no
TOTAL		\$200,000		
2021	Oxford Road (cont.)	Replacement of 500' 8" sewer & 500' 6" water lines, 2 new manholes	\$125,000	yes
	Sewer Truck (cont.)	2nd Payment towards a new sewer truck (Paid over 3 years)	\$60,000	no
	Unidentified	Currently unknown projects	\$15,000	Unknown
TOTAL		\$200,000		
2022	Reservoir	Surface refurbish, installation of telemetry	\$45,000	no
	Sewer Truck (cont.)	3rd Payment towards a new sewer truck (Paid over 3 years)	\$60,000	no
	New Engineering Study	Completion of a new engineering system improvement study	\$30,000	n/a
	County Road	Replacement of 1000' 2" water line with 6" water line	\$58,000	yes
	Unidentified	Currently unknown projects	\$7,000	Unknown
TOTAL		\$200,000		
2023	Capital Plan Projects	Water/sewer projects as recommended in the new engineering study	\$180,000	yes
	Unidentified	Currently unknown projects	\$20,000	Unknown
TOTAL		\$200,000		
GRAND TOTAL			\$1,025,400	

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Lake Junaluska Assembly Public Works
COMPLETED CAPITAL PROJECT LIST 2014-2018

Attachment #3B

Year(s)	Location	Scope	Project Cost	Incl in Eng Plans
2018	Atkins Loop	Replacement of hydrant, 1 new valve, water leak repair	\$8,000	no
	Cokesbury Circle (cont.)	Cokesbury sewer certification work	\$439	yes
	Dale Drive	Replacement of 200' 2" water line, 2 new valves	\$19,318	no
	Liberty Road (cont.)	Replacement of 1000' 8" sewer & 1000' 2" water lines, 6 new manholes, 3 new valves	\$29,720	yes
	Lundy Lane (cont.)	Sewer certification for completed Lundy Lane project	\$439	no
	Radio Read Meter Project (cont.)	Replaced 250 meters with electronic meters, installed half of Center area	\$40,000	yes
	Stuart Circle	Replacement 200' 8" sewer line	\$4,701	no
TOTAL			\$102,617	
2017	Cokesbury Circle (cont.)	Replacement of 500' 8" sewer & 600' 2" water lines, 8 new manholes, 3 new valves	\$1,870	yes
	Crescent Drive	Addition of 1 manhole	\$982	no
	Glenview Drive (cont.)	Replacement of 300' 8" sewer & 1000' 2" water lines, 3 new manholes, 2 new valves	\$18,432	yes
	Lundy Lane	Addition of 200' 8" sewer line, 2 new manholes	\$18,722	no
	Liberty Road	Replacement of 1000' 8" sewer & 1000' 2" water lines, 6 new manholes, 3 new valves	\$103,168	yes
	Memory Lane	Addition of 8' 3/4" water line	\$621	no
	North Lakeshore Drive (cont.)	Replacement of 400' 8" sewer line, 4 new manholes, 4 new valves, replaced 7 water service taps	\$74,962	yes
	Purcell Drive	Replacement of 30' 6" sewer line	\$1,875	no
	Radio Read Meter Project	Replaced 245 meters w/ electronic meters, Mtn & Hols Vill areas, programming	\$51,630	yes
	Siler Circle (cont.)	Replacement of 100' 8" sewer & 100' 2" water lines, 2 new manholes, 1 new valve	\$2,623	yes
	Tri Vista Drive	Sewer lift station rebuild	\$17,277	no
	TOTAL			\$292,162
2016	Cokesbury Circle (cont.)	Replacement of 500' 8" sewer & 600' 2" water lines, 8 new manholes, 3 new valves	\$108,812	yes
	Glenview Drive (cont.)	Replacement of 300' 8" sewer & 1000' 2" water lines, 3 new manholes, 2 new valves	\$32,734	yes
	Lambuth Meter	Replacement of 4" water meter	\$2,010	no
	North Lakeshore Drive	Replacement of 400' 8" sewer line, 4 new manholes, 4 new valves, replaced 7 water service taps	\$64,532	yes
	Siler Circle	Replacement of 100' 8" sewer & 100' 2" water lines, 2 new manholes, 1 new valve	\$23,632	yes
TOTAL			\$231,720	
2015	Carolina Road (cont.)	Replacement of 300' 8" sewer & 1125' 6" water lines, 2 new manholes, 1 new hydrant, 3 new valves	\$20,636	yes
	Chapel Drive	Replacement of 780' 8" sewer line, 2 new manholes	\$85,834	yes
	Cokesbury Circle	Replacement of 500' 8" sewer & 600' 2" water lines, 8 new manholes, 3 new valves	\$41,646	yes
	County Road	Replacement of 100' 2" water line, 3 new valves	\$2,675	no
	Glenview Drive/Littleton Road	Addition of new fire hydrant, 2 new valves	\$15,554	no
	Sequoia Drive	Replacement of 100' 3/4" water line	\$1,185	no
	S Lakeshore Drive/Hickory Hill Road	Replacement of 200' 6" sewer line	\$7,723	no
	Terrace Drive	Addition of 200' 4" water line, 2 new valves	\$4,390	no
TOTAL			\$175,253	
2014	Carolina Road	Replacement of 300' 8" sewer & 1125' 6" water lines, 2 new manholes, 1 new hydrant, 3 new valves	\$53,605	yes
	TOTAL			\$53,605
GRAND TOTAL			\$855,357	

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Lake Junaluska Assembly Public Works
FIVE-YEAR FISCAL PROJECTIONS

Attachment #4

REVENUE: (Water/Sewer)								
Account Number	Account/Project Description	2019	2020	2021	2022	2023	2024	
01-527-4460	Water Revenues	\$ 423,796.73	\$432,272.68	\$440,918.13	\$449,736.49	\$458,731.22	\$467,905.85	Increased 2% /yr
01-527-4465	Sewer Revenues	\$ 376,170.15	\$383,693.55	\$391,367.42	\$399,194.77	\$407,178.67	\$415,322.24	Increased 8% /yr
01-527-4470	Water Tap Revenues	\$ -						
01-527-4475	total	\$ -						
01-527-4480	Fire Protection Revenues	\$ -						
TOTAL Water/Sewer REVENUES		\$ 799,966.88	\$ 815,966.23	\$ 832,285.55	\$ 848,931.26	\$ 865,909.89	\$ 883,228.09	

EXPENSES: (Water/Sewer)								
Account Number	Account/Project Description	2019	2020	2021	2022	2023	2024	
01-527-6010	Wages & Salaries/F.T./Productive	\$ 183,807.71	\$ 186,564.83	\$ 189,363.30	\$ 192,203.75	\$ 195,086.80	\$ 198,013.11	Increase 1.5% /yr
01-527-6320	ADP Charges	\$ 420.00	\$ 432.60	\$ 445.58	\$ 458.95	\$ 472.71	\$ 486.90	Increase 3% /yr
01-527-6410	Social Security Contribution	\$ 14,061.29	\$ 14,272.21	\$ 14,486.29	\$ 14,703.59	\$ 14,924.14	\$ 15,148.00	Based on salaries
01-527-6430	Hospitalization Ins/TPA	\$ 12,939.20	\$ 13,586.16	\$ 14,265.47	\$ 14,978.74	\$ 15,727.68	\$ 16,514.06	Increase 5% /yr
01-527-6010	Call Out	\$ 10,956.00	\$ 11,065.56	\$ 11,176.22	\$ 11,287.98	\$ 11,400.86	\$ 11,514.87	Increase 1% /yr
01-527-6440	Long Term Disability	\$ 290.00	\$ 292.90	\$ 295.83	\$ 298.79	\$ 301.78	\$ 304.79	Increase 1% /yr
01-527-6460	Pension Contribution	\$ 12,866.54	\$ 13,059.54	\$ 13,255.43	\$ 13,454.26	\$ 13,656.08	\$ 13,860.92	Based on salaries
01-527-6470	Workers Compensation Insurance	\$ 2,200.00	\$ 2,600.00	\$ 2,700.00	\$ 2,800.00	\$ 2,900.00	\$ 3,000.00	Based on salaries
01-527-7110	Postage/Shipping	\$ 4,300.00	\$ 4,343.00	\$ 4,386.43	\$ 4,430.29	\$ 4,474.60	\$ 4,519.34	Increase 1% /yr
01-527-7240	Cellphone Expense	\$ 1,440.00	\$ 1,440.00	\$ 1,440.00	\$ 1,440.00	\$ 1,440.00	\$ 1,440.00	
01-527-7410	Education & Related Travel	\$ 1,200.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	
01-527-7440	Staff benefits	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	
01-527-7510	Photocopying-Fax	\$ 625.00	\$ 625.00	\$ 625.00	\$ 625.00	\$ 625.00	\$ 625.00	
01-527-7535	Administrative Support	\$ 13,860.00	\$ 14,067.90	\$ 14,278.92	\$ 14,493.10	\$ 14,710.50	\$ 14,931.16	Increase 1.5% /yr
01-527-7635	Contracted Computer Services	\$ 11,672.16	\$ 12,255.77	\$ 12,868.56	\$ 13,511.98	\$ 14,187.58	\$ 14,896.96	Increase 5% /yr
01-527-7640	Service Charge	\$ -						
01-527-7655	Wtr. Testing, Licenses & Fees	\$ 3,960.00	\$ 4,078.80	\$ 4,201.16	\$ 4,327.20	\$ 4,457.01	\$ 4,590.73	Increase 3% /yr
01-527-7656	Sewer License & Fees	\$ 1,500.00	\$ 1,545.00	\$ 1,591.35	\$ 1,639.09	\$ 1,688.26	\$ 1,738.91	Increase 3% /yr
01-527-7710	Insurance-Commercial Package	\$ 3,400.00	\$ 3,502.00	\$ 3,607.06	\$ 3,715.27	\$ 3,826.73	\$ 3,941.53	Increase 3% /yr
01-527-7720	Vehicle Insurance/Automobile	\$ 2,279.87	\$ 2,348.27	\$ 2,418.71	\$ 2,491.28	\$ 2,566.01	\$ 2,642.99	Increase 3% /yr
01-527-7810	Utilities-Electric	\$ 6,000.00	\$ 6,180.00	\$ 6,365.40	\$ 6,556.36	\$ 6,753.05	\$ 6,955.64	Increase 3% /yr
01-527-7820	Utilities-Propane Gas	\$ 1,200.00	\$ 1,236.00	\$ 1,273.08	\$ 1,311.27	\$ 1,350.61	\$ 1,391.13	Increase 3% /yr
01-527-7835	Water Utilities (Waynesville)	\$ 173,990.96	\$ 181,020.19	\$ 184,640.60	\$ 188,333.41	\$ 192,100.08	\$ 195,942.08	Increase 2% /yr
01-527-7840	Sewer Utilities	\$ 210,210.20	\$ 233,513.51	\$ 252,194.59	\$ 272,370.16	\$ 294,159.77	\$ 317,692.56	Increase 8% /yr
01-527-7915	Departmental Supplies	\$ 1,800.00	\$ 1,900.00	\$ 1,900.00	\$ 1,900.00	\$ 1,900.00	\$ 1,900.00	
01-527-7945	Uniforms	\$ 1,000.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	
01-527-7992	Gasoline	\$ 3,960.00	\$ 4,078.80	\$ 4,201.16	\$ 4,327.20	\$ 4,457.01	\$ 4,590.73	Increase 3% /yr
01-527-8030	Maint & Repairs-Equipment	\$ 750.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 1,787.18	
01-527-8040	Maint & Repair Motor Vehicles	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	
01-527-8071	Water Maintenance & Repairs	\$ 16,560.00	\$ 17,000.00	\$ 17,000.00	\$ 15,000.00	\$ 7,500.00		
01-527-8075	Sewer Maintenance & Repairs	\$ 16,560.00	\$ 17,000.00	\$ 17,000.00	\$ 15,942.90	\$ 8,433.80		
01-527-9015	Leases	\$ 8,280.00	\$ 9,000.00	\$ 9,000.00	\$ 9,000.00	\$ 9,000.00	\$ 9,000.00	
01-527-9030	Water Equipment	\$ 5,400.00	\$ 5,562.00	\$ 5,728.86	\$ 5,900.73	\$ 6,077.75	\$ 6,260.08	Increase 3% /yr
01-527-9035	Sewer Equipment	\$ 3,400.00	\$ 3,502.00	\$ 3,607.06	\$ 3,715.27	\$ 3,826.73	\$ 3,941.53	Increase 3% /yr
01-527-9415	Capital Improvements	\$ 29,324.00						
01-527-9070	Office Rent	\$ 18,504.00	\$ 18,504.00	\$ 18,504.00	\$ 18,504.00	\$ 18,504.00	\$ 18,504.00	Increase 1% /yr
	Legal Expenses	\$ 18,000.00	\$ 18,000.00					
TOTAL Water/Sewer EXPENSES		\$ 799,966.93	\$ 811,226.03	\$ 821,470.06	\$ 848,370.57	\$ 865,158.55	\$ 882,284.20	

Department NET	(\$ 0.05)	\$ 4,740.20	\$ 10,815.49	\$ 560.69	\$ 751.34	\$ 943.89
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Application **Exhibit A** *1A*

State of North Carolina
Department of Environmental Quality
Division of Water Resources
Public Water Supply Section
1634 Mail Service Center, Raleigh, NC
Telephone (919) 707-9100

PWS ID:	NC0144107	HAYWOOD County	SYSTEM NAME:	LAKE JUNALUSKA ASSEMBLY
OWNER ID:	75629		RESPONSIBLE	
OWNER:	SOUTHEASTERN JURISDICTIONAL_144107		PERSON:	CARLISLE, JACK
	PO BOX 67			PO BOX 339
	ADMIN COUNCIL OF METHODIST CH			LAKE JUNALUSKA, NC 28745
	LAKE JUNALUSKA, NC 28745			

2018 PERMIT TO OPERATE A COMMUNITY PUBLIC WATER SYSTEM

POPULATION SERVED: 2,118

The above named Community or Non-Transient Non-Community Public Water Supply System is granted a permit to operate this facility for the calendar year 2018. The permit expires at midnight on December 31, 2018.

The permit signifies that the annual fee has been paid in full and that a completed annual operating permit application has been submitted.

All permitted community and non transient non-community water systems shall comply with 15A NCAC 18C, which are the Rules Governing Public Water Systems. Rule .02102(f) requires that the supplier of water who holds a current operating permit shall inform the Department of any changes of address or transfer of ownership within 30 days of the changes.

Payment of the 2019 operating permit fee is due by November 2018. Administrative Penalties will be assessed for payments not received by December 31, 2018. Renewal notices will be sent in September 2018.

Sincerely,

Jessica Godreau, P.E., BCEE, Chief

cc: WILLIAM CONNER, P.E., Regional Engineer

Sep 28 2018

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Application **Exhibit B** *1A*

STATE OF NORTH CAROLINA
ENVIRONMENTAL MANAGEMENT COMMISSION
DEPARTMENT OF ENVIRONMENTAL QUALITY
SYSTEM-WIDE COLLECTION SYSTEM PERMIT

In accordance with the provisions of Article 21 of Chapter 143, General Statutes of North Carolina as amended, and other applicable Laws, Rules, and Regulations, permission is hereby granted to the

Lake Junaluska Assembly
WQCS00184

FOR THE

operation and maintenance of a wastewater collection system consisting of, at the time of permit issuance, approximately 18 miles of gravity sewer, approximately 250 feet of force main, 1 simplex pump station without permanent pump reliability that serve more than one building, and all associated piping, valves, and appurtenances required to make a complete and operational wastewater collection system to serve the Lake Junaluska Assembly and any deemed permitted satellite communities pursuant to the application received May 31, 2018, and in conformity with the documents referenced therein and other supporting data subsequently filed and approved by the Department of Environmental Quality and considered a part of this permit.

This permit shall be effective from June 12, 2018 until May 31, 2026, and shall be subject to the following specified conditions and limitations:

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Vicinity Map of LJA Service Area

Service Zones Outlined in Red

Docket No. W-1274, Sub 7

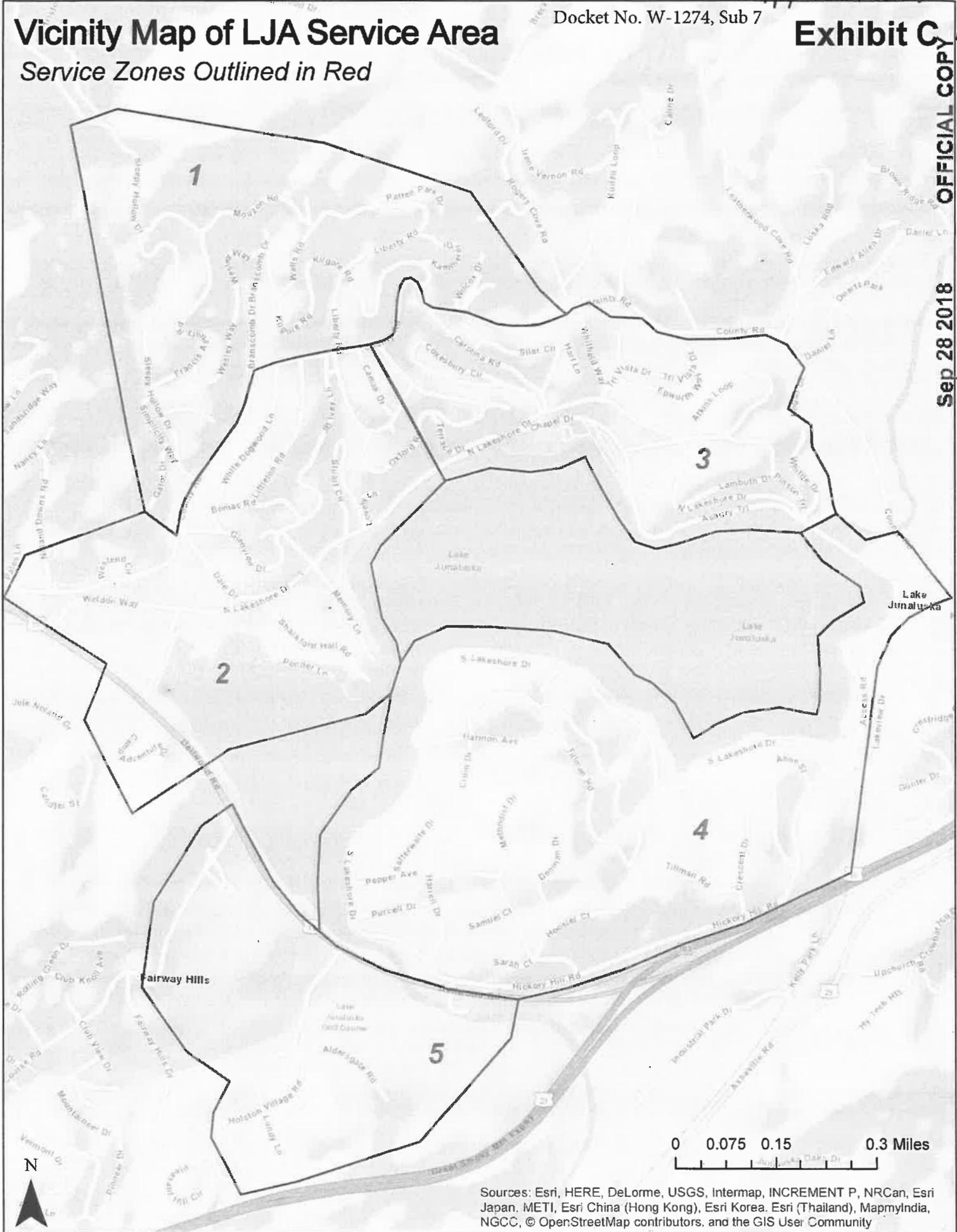
Application

Exhibit C

1A

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Application
Exhibit D

1A

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DETAIL MAPS OF THE LJA PUBLIC WORKS WATER & SEWER SYSTEM

UPDATED AUGUST 1, 2018

LJA PUBLIC WORKS- WATER & SEWER SYSTEM MAP

Service Zone 1

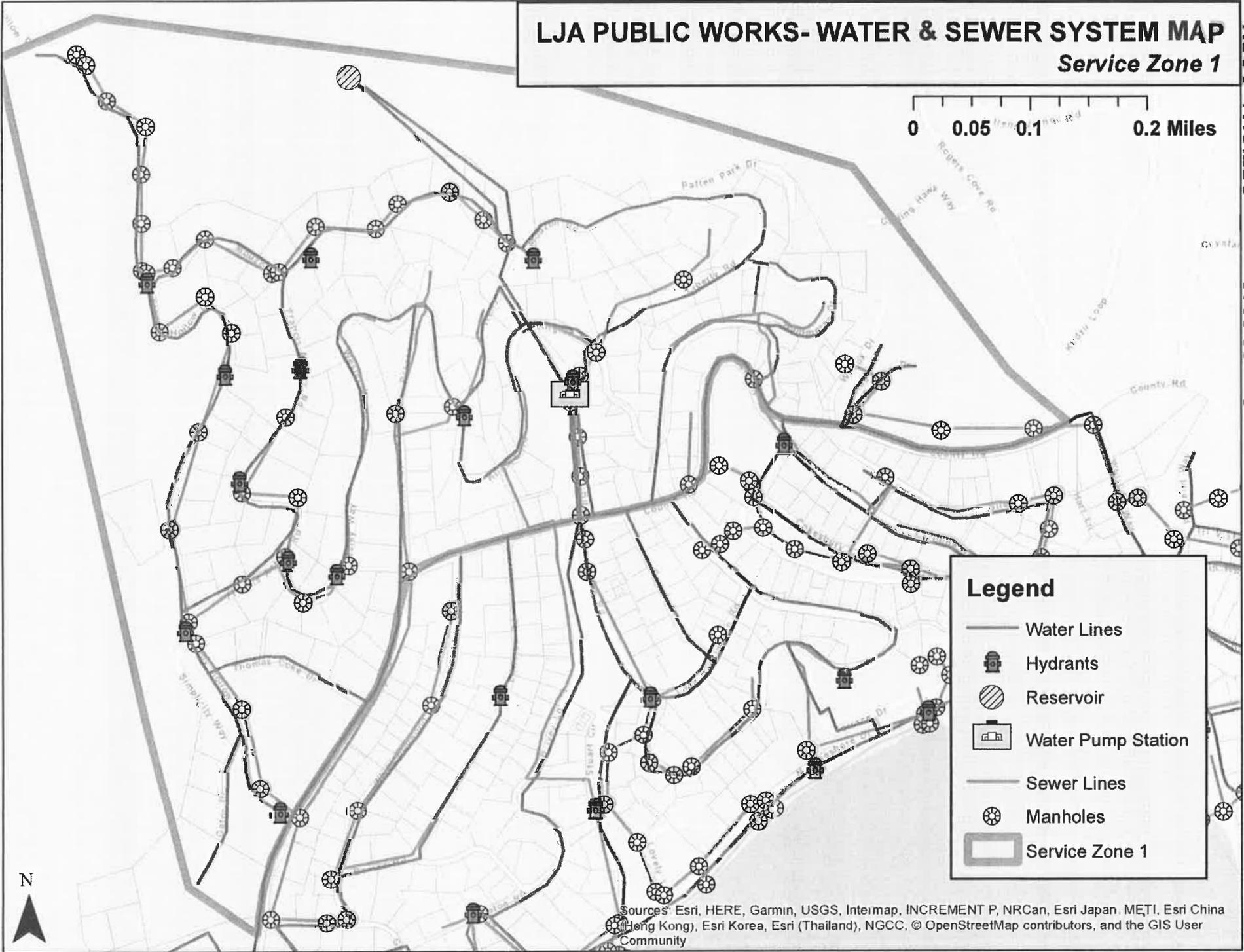


Legend

- Water Lines
- Hydrants
- Reservoir
- Water Pump Station
- Sewer Lines
- Manholes
- Service Zone 1

Sources: Esri, HERE, Garmin, USGS, Intelmap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, © OpenStreetMap contributors, and the GIS User Community

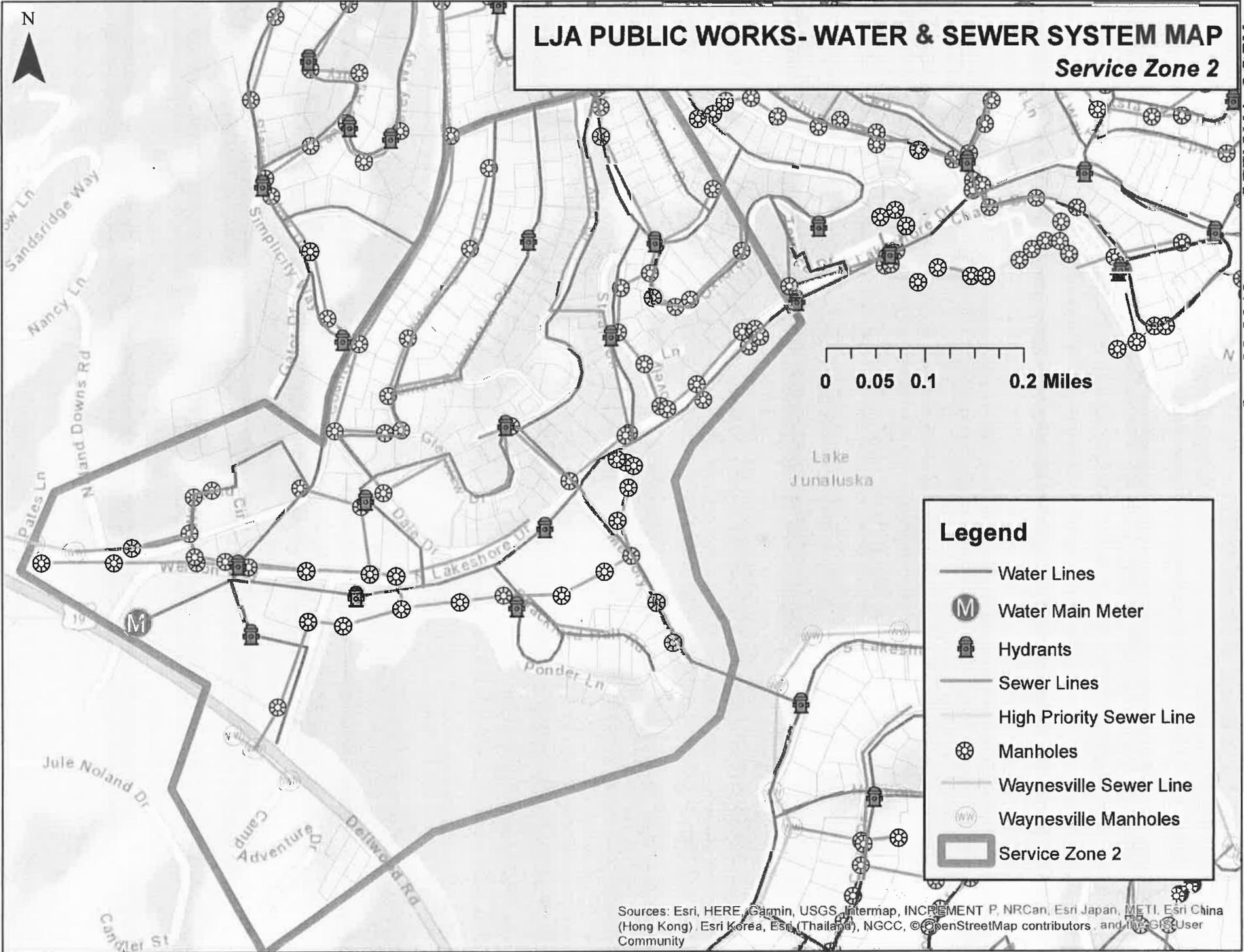
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LJA PUBLIC WORKS- WATER & SEWER SYSTEM MAP

Service Zone 2

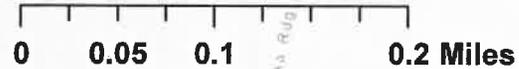
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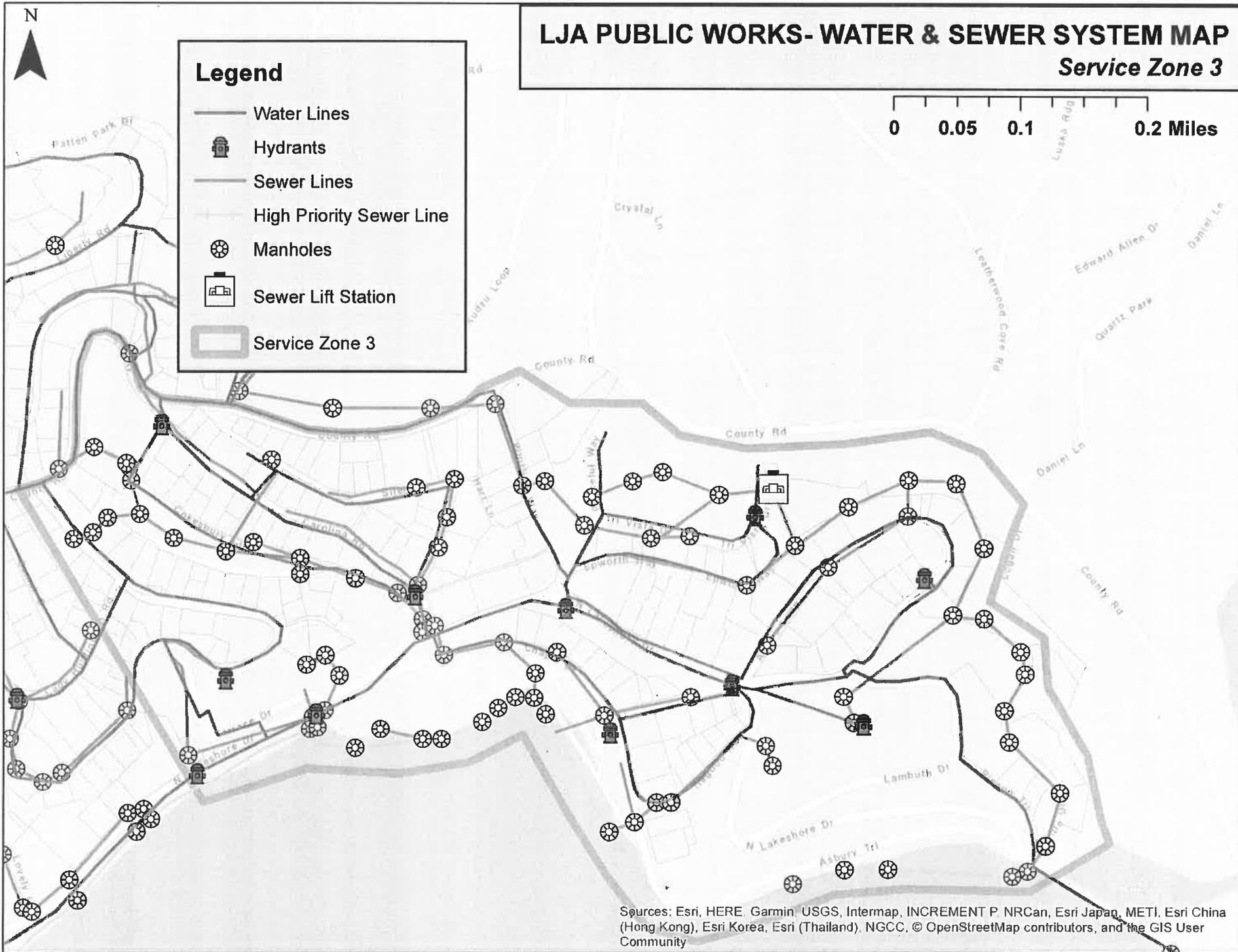
LJA PUBLIC WORKS- WATER & SEWER SYSTEM MAP

Service Zone 3



Legend

- Water Lines
- Hydrants
- Sewer Lines
- High Priority Sewer Line
- Manholes
- Sewer Lift Station
- Service Zone 3

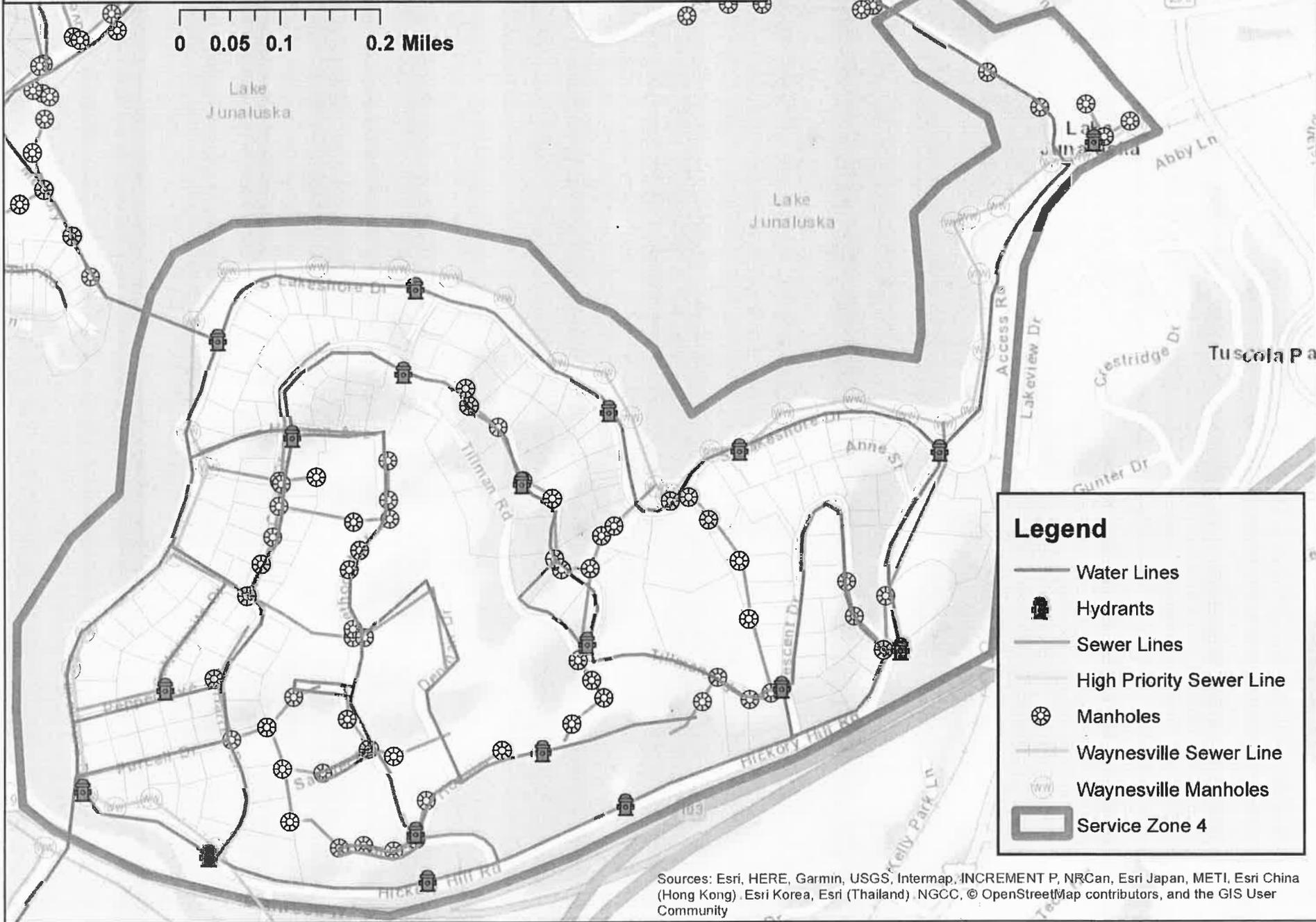


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LJA PUBLIC WORKS- WATER & SEWER SYSTEM MAP

Service Zone 4

0 0.05 0.1 0.2 Miles



Legend

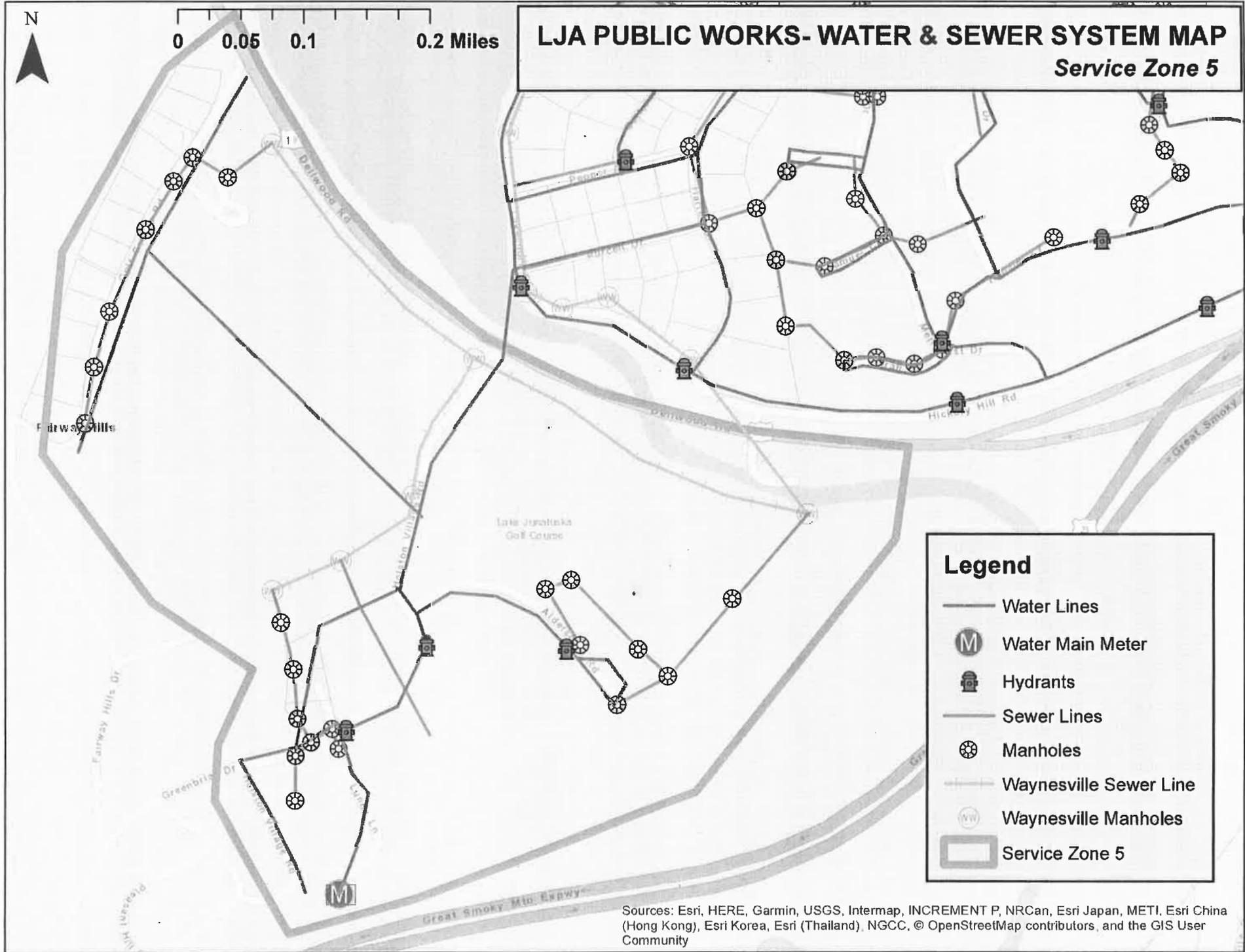
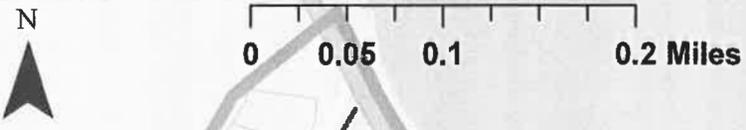
- Water Lines
- Hydrants
- Sewer Lines
- High Priority Sewer Line
- Manholes
- Waynesville Sewer Line
- Waynesville Manholes
- Service Zone 4

Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, © OpenStreetMap contributors, and the GIS User Community

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LJA PUBLIC WORKS- WATER & SEWER SYSTEM MAP

Service Zone 5



Legend

- Water Lines
- Water Main Meter
- Hydrants
- Sewer Lines
- Manholes
- Waynesville Sewer Line
- Waynesville Manholes
- Service Zone 5

Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, © OpenStreetMap contributors, and the GIS User Community

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Lake Junaluska Assembly, Incorporated

Financial Statements with Summarized Financial Information

Years Ended December 31, 2017 and 2016

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Statement of Activities	4
Statement of Cash Flows	6
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Independent Auditors' Report

Audit Committee of
Lake Junaluska Assembly, Incorporated
Lake Junaluska, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Lake Junaluska Assembly, Incorporated ("Lake Junaluska"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Junaluska Assembly, Incorporated as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Summarized Comparative Information

We have previously audited Lake Junaluska's 2016 financial statements, and our report dated August 4, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

**Asheville, North Carolina
July 5, 2018**

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Lake Junaluska Assembly, Incorporated**Statement of Financial Position****December 31, 2017****with Summarized Financial Information for the Year Ended December 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,186,913	\$ 1,107,590
Investments	5,343,470	4,756,966
Accounts receivables:		
Trade (net of allowances)	526,871	560,736
Pledges (net of allowances)	413,305	381,565
Real estate installment sales	-	43,522
Inventories	155,910	155,385
Property, buildings, and equipment, net	17,932,112	18,037,715
Other assets	29,720	15,519
	<u>26,588,301</u>	<u>25,058,998</u>
Total assets	<u>\$ 26,588,301</u>	<u>\$ 25,058,998</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 473,119	\$ 376,344
Advance lodging deposits	353,947	330,084
Accrued expenses	276,159	274,026
Custodial funds	1,736,402	1,492,163
Notes payable	2,034,970	2,260,374
	<u>4,874,597</u>	<u>4,732,991</u>
Total liabilities	<u>4,874,597</u>	<u>4,732,991</u>
Net assets:		
Unrestricted	17,461,700	17,222,641
Temporarily restricted	2,137,032	1,286,924
Permanently restricted	2,114,972	1,816,442
	<u>21,713,704</u>	<u>20,326,007</u>
Total net assets	<u>21,713,704</u>	<u>20,326,007</u>
Total liabilities and net assets	<u>\$ 26,588,301</u>	<u>\$ 25,058,998</u>

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See accompanying notes.

Lake Junaluska Assembly, Incorporated
Statement of Activities
Year Ended December 31, 2017
with Summarized Financial Information for the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
Revenues, gains and other support:					
Contributions from SEJUMC	\$ -	\$ -	\$ -	\$ -	\$ 500,000
Contributions and bequests	878,879	1,519,019	113,587	2,511,485	763,113
Investment return, net of fees	58,976	461	11,666	71,103	108,435
Realized gains (losses) on investments	39,031	3,223	81,518	123,772	(30,440)
Unrealized gains on investments	75,701	6,256	154,016	235,973	183,787
Lodging	4,098,582	-	-	4,098,582	3,813,649
Food service	1,907,873	-	-	1,907,873	1,880,776
Service	422,064	-	-	422,064	374,903
Assembly public works	1,800,369	-	-	1,800,369	1,810,221
Ministry program	303,204	16,415	-	319,619	304,388
Golf course	356,174	-	-	356,174	391,038
Events and packages	185,667	-	-	185,667	199,892
Auxiliary and miscellaneous	613,134	3,826	-	616,960	587,695
Associates	-	52,152	-	52,152	44,892
In-kind rental income	73,646	-	-	73,646	81,098
Net assets released from restrictions	813,501	(751,244)	(62,257)	-	-
 Total revenues, gains and other support	 <u>11,626,801</u>	 <u>850,108</u>	 <u>298,530</u>	 <u>12,775,439</u>	 <u>11,013,447</u>

See accompanying notes.

Lake Junaluska Assembly, Incorporated
Statement of Activities
Year Ended December 31, 2017
with Summarized Financial Information for the Year Ended December 31, 2016

(Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
Expenses:					
Administration	\$ 1,430,564	\$ -	\$ -	\$ 1,430,564	\$ 1,349,609
Development	355,083	-	-	355,083	395,793
Conference center	5,529,464	-	-	5,529,464	5,461,846
Building and grounds	1,238,592	-	-	1,238,592	1,446,259
Auxiliary and miscellaneous	728,218	-	-	728,218	635,803
Ministry program	445,073	-	-	445,073	352,131
Assembly public works	1,376,964	-	-	1,376,964	1,436,264
Designated expenses	283,784	-	-	283,784	289,773
	<u>11,387,742</u>	<u>-</u>	<u>-</u>	<u>11,387,742</u>	<u>11,367,478</u>
Total expenses					
Increase (decrease) in net assets	239,059	850,108	298,530	1,387,697	(354,031)
Net assets, beginning of year	<u>17,222,641</u>	<u>1,286,924</u>	<u>1,816,442</u>	<u>20,326,007</u>	<u>20,680,038</u>
Net assets, end of year	<u>\$ 17,461,700</u>	<u>\$ 2,137,032</u>	<u>\$ 2,114,972</u>	<u>\$ 21,713,704</u>	<u>\$ 20,326,007</u>

See accompanying notes.

Lake Junaluska Assembly, Incorporated
Statement of Cash Flows
Year Ended December 31, 2017
with Summarized Financial Information for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,387,697	\$ (354,031)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,298,910	1,434,043
Realized and unrealized gains on investments	(359,745)	(153,347)
Loss on sale and disposal of property	1,399	207,584
Changes in operating assets and liabilities:		
Trade accounts receivable	33,865	164,618
Pledges receivable	(31,740)	69,331
Real estate installment notes	43,522	49,450
Inventories	(525)	(5,829)
Other assets	(14,201)	20,067
Accounts payable	(5,921)	280,017
Advance lodging deposits	23,863	(46,280)
Accrued expenses	2,133	(35,934)
Net cash provided by operations	<u>2,379,257</u>	<u>1,629,689</u>
Cash flows from investing activities:		
Proceeds from sale of investments	(1,252,620)	(1,472,286)
Acquisition of investments	1,270,100	1,401,683
Expenditures for asset additions	(1,092,010)	(850,114)
Proceeds from asset disposals	-	113,070
Net cash used by investing activities	<u>(1,074,530)</u>	<u>(807,647)</u>
Cash flows from financing activities:		
Payments on notes payable	(225,404)	(707,350)
Net increase in cash and cash equivalents	1,079,323	114,692
Cash and cash equivalents:		
Beginning of year	1,107,590	992,898
End of year	<u>\$ 2,186,913</u>	<u>\$ 1,107,590</u>
Supplemental schedule of cash flow information:		
Non-cash items:		
Property, buildings, and equipment in accounts payable	\$ 125,376	\$ 22,680
Cash payment for interest expense	<u>\$ 102,644</u>	<u>\$ 115,850</u>

See accompanying notes.

Notes to Financial Statements

1. Nature of Organization

Lake Junaluska Assembly, Inc. ("Lake Junaluska") is an agency of the Southeastern Jurisdiction ("SEJ") of The United Methodist Church. The mission of Lake Junaluska is to be a place of Christian hospitality where lives are transformed through renewal of soul, mind, and body.

Lake Junaluska has approximately 800 private residences on the grounds that are a part of an unincorporated residential community. Lake Junaluska provides services to these residences including water and sewer services. The related revenue is recorded within Assembly Public Works revenue in the accompanying statement of activities.

Lake Junaluska serves a diverse clientele of religious and secular visitors, and is a popular destination for group retreats and leisure travel. In addition to guest rooms and meeting space, Lake Junaluska offers retail shopping, outdoor recreation, musical and performance events, golfing, and other activities and amenities to our guests.

2. Significant Accounting Policies

Financial statement presentation

Lake Junaluska reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. The three classes of net assets are defined as follows:

Unrestricted

Unrestricted funds account for all resources over which Lake Junaluska has discretionary control.

Temporarily restricted

Temporarily restricted funds represent resources whose use is limited by donors for the purpose and or time in which they may be expended. Eventually, temporarily restricted funds are reclassified to unrestricted, as their time and purpose requirements are met. Temporarily restricted resources for which donor-imposed restrictions have been met within the same fiscal year as received are reported as unrestricted contributions.

Permanently restricted

Permanently restricted funds include donor restricted principal funds. Donor restricted funds are restricted as to the expendability of principal and may or may not be restricted as to the use of investment return. Investment income earned and gains or losses on sales of investments on endowment and similar funds are accounted for in the unrestricted, temporarily restricted, or permanently restricted funds depending upon the respective donor restrictions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities based on net asset class.

Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Lake Junaluska provides for losses on accounts receivable using the allowance method. The allowance is based on experience, and other circumstances, which may affect the ability of patrons to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is Lake Junaluska's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Inventories

Inventories are stated at the lower of cost or market on a first in, first out basis. Inventory consists of food items and linen items used in lodging and restaurant operations, certain religious tapes and books available for sale, and supplies needed for maintenance and repair of buildings and equipment.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis for all depreciable assets over the estimated useful lives. Contributed property is recorded at appraised or market value at the date of contribution. Absent donor stipulations regarding how long those donated assets must be maintained, Lake Junaluska reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Lake Junaluska reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment purchases in excess of \$5,000 are capitalized and depreciated using the straight-line method over the following estimated useful lives of the assets: Land Improvements, fifteen years; Buildings, forty years; Equipment, five years; and Vehicles, three years.

Contributions

Contributions are recorded when cash or property is received, when payments are made on behalf of Lake Junaluska, or when indebtedness is forgiven. Contributed property is recorded at appraised or market value at the date of the contribution. All contributions are considered unrestricted unless specifically restricted by the donor. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction has been fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Pledges are recorded as receivables in the year received, less an allowance for uncollectible amounts. Pledges that are expected to be collected in future years and recorded at their net present value, using discount rates that approximate United States Treasury borrowing rates for the respective periods of these contributions.

Donated services

No amounts have been reflected in the accompanying financial statements for donated services. Lake Junaluska generally pays for services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist Lake Junaluska with specific assistance programs, campaign solicitations, and various committee assignments.

Vacation, holiday and sick leave policy

The vacation policy of Lake Junaluska provides for earning vacation at the end of the pay period following completed years of service as follows: 1 year, 40 hours; 2-4 years, 80 hours; 5-9 years, 120 hours; 10+ years, 160 hours. For the year ended December 31, 2017, employees are allowed to accumulate and carry to the next year a maximum of 10 days or 80 hours. All accrued vacation time must be used or forfeited. Ten paid holidays are available to all full-time employees and part time employees with at least two consecutive years work history and with a minimum of 1,000 hours in each of those two years. All holiday time is to be taken within 30 days of the date the holiday occurs.

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Notes to Financial Statements

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Lake Junaluska's sick leave policy allows employees to earn sick leave at the rate of six days per year and accumulate up to a maximum of thirty days. Sick leave is not eligible for pay out, therefore, Lake Junaluska has no obligation for the accumulated sick leave until it is actually taken. Therefore, no accrual for sick leave has been made.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, Lake Junaluska considers all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid instruments with an initial maturity of three months or less to be cash equivalents. At times, cash balances may exceed federally insured amounts. Lake Junaluska has not experienced any losses on such accounts and management does not believe Lake Junaluska is exposed to any significant credit risk on cash and cash equivalents.

Income taxes

Lake Junaluska is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the statutes of the State of North Carolina. Accordingly, no provision for income taxes is provided in the financial statements.

Lake Junaluska's policy is to record a liability for any tax position taken that is beneficial to Lake Junaluska, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2017 and 2016, and accordingly, no liability has been accrued.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through July 5, 2018, the date the financial statements were available to be issued.

3. Investments and Fair Value Measurement

Investments consisted of the following at December 31:

	Fair Market Value	
	2017	2016
Marketable equity securities	\$ 1,047,244	\$ 1,195,562
Mutual equity funds	2,312,678	1,836,595
Real estate trust	37,778	28,202
Real asset funds	339,530	338,511
Mutual bond funds	201,029	197,072
Government bonds	394,658	399,538
Corporate bonds	590,862	601,392
	\$ 4,923,779	\$ 4,596,872

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At December 31, 2017 and 2016, Lake Junaluska had \$419,691 and \$160,094 of cash and cash equivalents included in investments.

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities Lake Junaluska has the ability to access at the measurement date.
- Level 2** inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3** inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include Lake Junaluska's own data.)

There were no changes during the years ended December 31, 2017 and 2016 to Lake Junaluska's valuation techniques used to measure asset fair values on a recurring basis.

The following table represents Lake Junaluska's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016:

	December 31, 2017		
	Level 1	Level 2	Level 3
Assets:			
Marketable equity securities	\$ 1,047,244	\$ -	\$ -
Mutual equity funds	2,312,678	-	-
Real asset funds	339,530	-	-
Mutual bond funds	201,029	-	-
Real estate trust	37,778	-	-
Government bonds	-	394,658	-
Corporate bonds	-	590,862	-
	<u>\$ 3,938,259</u>	<u>\$ 985,520</u>	<u>\$ -</u>
December 31, 2016			
	Level 1	Level 2	Level 3
Assets:			
Marketable equity securities	\$ 1,195,562	\$ -	\$ -
Mutual equity funds	1,836,595	-	-
Real asset funds	338,511	-	-
Mutual bond funds	197,072	-	-
Real estate trust	28,202	-	-
Government bonds	-	399,538	-
Corporate bonds	-	601,392	-
	<u>\$ 3,595,942</u>	<u>\$ 1,000,930</u>	<u>\$ -</u>

4. Endowments

As of December 31, 2017, Lake Junaluska's endowment consists of approximately 50 individual funds established for a variety of purposes. The endowment includes permanent and donor-restricted funds and board designated funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The North Carolina Uniform Prudent Management of Institutional Funds Act ("NCUPMIFA") requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Lake Junaluska classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Lake Junaluska in a manner consistent with the standard of prudence prescribed by NCUPMIFA. In accordance with NCUPMIFA, Lake Junaluska considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. General economic conditions.
2. The possible effect of inflation and deflation.
3. The expected tax consequences, if any, of investment decisions and strategies.
4. The role that each investment or course of action plays within the overall investment portfolio of the fund.
5. The expected total return from income and the appreciation of investments.
6. Other resources of Lake Junaluska.
7. The needs of Lake Junaluska and the fund to make distributions and to preserve capital.
8. An assets special relationship or special value, if any, to the charitable purposes of Lake Junaluska.

Spending policy and how the investment objectives relate to spending policy

Lake Junaluska has a policy of appropriating for distribution each year up to 4% of its endowment fund's average fair value over the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, Lake Junaluska considered the long-term expected return on its endowment as discussed below.

Return objectives and risk parameters

Lake Junaluska has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indices while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

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Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, Lake Junaluska relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Lake Junaluska targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

A summary of endowment asset activity for the year ended December 31, 2017 is as follows:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets:				
Beginning of year	\$ 1,361,597	\$ 84,764	\$ 1,816,442	\$ 3,262,803
Investment return, net of fees	6,331	461	11,666	18,458
Net appreciation (realized and unrealized)	114,732	9,479	235,534	359,745
Contributions/additions	94,408	-	113,587	145,738
Appropriation of endowment assets for expenditure	<u>(173,426)</u>	<u>(6,250)</u>	<u>(62,257)</u>	<u>(241,933)</u>
Endowment net assets end of year	<u>\$ 1,403,642</u>	<u>\$ 88,454</u>	<u>\$ 2,114,972</u>	<u>\$ 3,607,068</u>

A summary of endowment asset activity for the year ended December 31, 2016 is as follows:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets:				
Beginning of year	\$ 1,431,398	\$ 90,616	\$ 1,746,661	\$ 3,268,675
Investment return, net of fees	9,148	728	16,702	26,578
Net depreciation (realized and unrealized)	57,636	(330)	19,011	76,317
Contributions/additions	113,751	-	111,097	224,848
Appropriation of endowment assets for expenditure	<u>(250,336)</u>	<u>(6,250)</u>	<u>(77,029)</u>	<u>(333,615)</u>
Endowment net assets end of year	<u>\$ 1,361,597</u>	<u>\$ 84,764</u>	<u>\$ 1,816,442</u>	<u>\$ 3,262,803</u>

Lake Junaluska determined the allocation of investment earnings related to the permanently restricted portion of Lake Junaluska's investments was approximately \$284,000 in 2017 and \$224,000 in 2016. As noted in the spending policy above, Lake Junaluska has a policy of appropriating for distribution each year up to 4% for 2017 and 2016 of its endowment fund's average fair value. The amount allocated for appropriation of endowment assets was approximately \$62,000 in 2017 and \$77,000 in 2016. In addition, investment earnings were used for a development administrative fee of .75% of the 12 quarter rolling average fund balance of the endowments that amounted to approximately \$36,000 in 2017 and \$15,000 in 2016.

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5. Receivables

Lake Junaluska has trade receivables arising from certain Assembly public works fees charged to property owners and lodging and food service operations. These receivables are reported net of an allowance for uncollectible accounts in the amount of approximately \$59,000 as of December 31, 2017 and 2016.

Pledges receivable are scheduled to be received as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 264,609	\$ 207,697
One to five years	<u>179,383</u>	<u>201,700</u>
	443,992	409,397
Less allowance for uncollectible accounts	(22,200)	(20,470)
Less discount to net present value (with a 3% rate at December 31, 2017 and 2016)	<u>(8,487)</u>	<u>(7,362)</u>
Pledges receivable, net	<u>\$ 413,305</u>	<u>\$ 381,565</u>

6. Inventories

Inventories consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Food services	\$ 34,033	\$ 17,054
Media services	14,961	27,415
Buildings and grounds	5,497	5,902
Retail services	80,477	86,683
Golf course	14,470	11,765
Assembly Public Works	<u>6,472</u>	<u>6,566</u>
	<u>\$ 155,910</u>	<u>\$ 155,385</u>

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7. Property, Buildings and Equipment

Property, buildings and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,128,106	\$ 1,128,106
Land developed for sale	469,227	469,227
Land improvements	7,957,225	7,596,110
Buildings	37,392,043	37,099,357
Equipment	9,090,057	8,970,040
Vehicles	524,621	524,621
Construction in progress	<u>479,946</u>	<u>96,744</u>
	57,041,225	55,884,205
Accumulated depreciation	<u>(39,109,113)</u>	<u>(37,846,490)</u>
	<u>\$ 17,932,112</u>	<u>\$ 18,037,715</u>

8. Accrued Expenses

Accrued expenses consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Salaries payable	\$ 222,775	\$ 213,497
Annuities payable	48,473	55,835
Other accrued expenses	<u>4,911</u>	<u>4,694</u>
	<u>\$ 276,159</u>	<u>\$ 274,026</u>

9. Line of Credit

Lake Junaluska has a line of credit of \$1 million, scheduled to expire January 2019. The interest is payable monthly and is computed at prime rate less 0.6%. There were no outstanding advances at December 31, 2017 and 2016.

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10. Notes Payable

Notes payable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Note payable to bank due in monthly installments of \$2,897, including interest at 5% per annum, matured in March 2017.	\$ -	\$ 8,618
Note payable to bank requiring monthly principal payments of \$9,732 plus accrued interest at 3.69% per annum. Note matures in January 2020 and is collateralized by equipment.	243,303	360,089
Note payable to bank, requiring monthly principal payments of \$8,333 plus accrued interest at 4.09% per annum. Note matures in August 2019 and is collateralized by real estate.	<u>1,791,667</u>	<u>1,891,667</u>
Total notes payable	<u>2,034,970</u>	2,260,374
Current maturities	<u>(216,784)</u>	<u>(225,402)</u>
Notes payable, excluding current maturities	<u>\$ 1,818,186</u>	<u>\$ 2,034,972</u>

Maturities of long-term debt at December 31, 2017 are as follows:

2018	\$ 216,784
2019	1,808,451
2020	<u>9,735</u>
	<u>\$ 2,034,970</u>

11. Operating Leases

Lake Junaluska has entered into several non-cancelable operating lease agreements. The future minimum lease payments as of December 31, 2017 are approximately as follows:

2018	\$ 107,000
2019	85,000
2020	19,000
2021	7,000
2022	7,000
Thereafter	<u>6,000</u>
	<u>\$ 231,000</u>

Total lease expense for the years ending December 31, 2017 and 2016 was approximately \$109,000 and \$73,000, respectively.

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Lake Junaluska Assembly, Incorporated
Notes to Financial Statements

Lake Junaluska is also the lessor of building space to a tenant under a noncancelable operating lease that began January 1, 2016 and expires June 30, 2021. The following is a schedule by years of future minimum payments under the lease at December 31, 2017:

2018	\$	46,819
2019		47,754
2020		48,709
2021		<u>24,842</u>
	\$	<u>168,124</u>

12. Commitments and Contingencies

In September 2017, Lake Junaluska signed an agreement to purchase furniture, fixtures, and equipment of approximately \$918,000. As of December 31, 2017, approximately \$73,000 of the furniture, fixtures, and equipment had been received and paid.

13. Related Party Transactions

Lake Junaluska received contributions for debt reduction totaling \$500,000 from the Southeastern Jurisdiction of the United Methodist Church ("SEJUMC") during the year ended December 31, 2016, which was the last year of pledged gifts from SEJUMC.

14. Retirement Plans

Lake Junaluska participates in various retirement plans covering different classes of employees.

Lake Junaluska provides eligible full-time clergy benefits in the United Methodist Personal Investment Plan (UMPIP), a defined contribution pension plan. For the years ended December 31, 2017 and 2016, Lake Junaluska contributed \$11,790 and \$7,160, respectively, or 7% of eligible compensation, including housing allowances of ordained staff.

Another plan, the Comprehensive Protection Plan, provides death and disability benefits, and surviving spousal and children's benefits in the event a clergy participant in the UMPIP Plan deceases prior to retirement. Lake Junaluska contributes 3% of eligible employee compensation. Eligible employees include clergy provided their compensation is at least 60% of applicable conference average compensation. Lake Junaluska contributed \$5,056 and \$3,075 to this plan in 2017 and 2016, respectively.

For eligible full-time Lay employees who have completed 1,000 hours of work in the prior calendar year, Lake Junaluska contributes 7% of employee compensation to UMPIP, a defined contribution pension. Lake Junaluska contributions amounted to \$191,047 and \$187,162 in 2017 and 2016, respectively. Employees are required to contribute 3% of compensation to the plan; higher contributions are allowed under certain circumstances.

Lake Junaluska also participates in a *Tax-Deferred Compensation Plan* under section 403(b) of the Internal Revenue Code. Voluntary employee contributions of up to \$18,000 for 2017 and 2016 were allowed. All employees are eligible for participation on the first day of the month following employment.

Lake Junaluska does not provide any post-employment benefits other than the retirement benefits described above. Full-time employees covered by Lake Junaluska's health insurance plan for at least three months prior to retirement or termination are entitled to continue health insurance coverage with Lake Junaluska for up to eighteen months following retirement or termination at their own expense.

15. Advertising Costs

Lake Junaluska maintains an internal department in charge of all advertising. Lake Junaluska advertises its services through printed media and radio. All costs are expensed as incurred since they represent no future economic benefit. The total advertising expense for the years ended December 31, 2017 and 2016 was approximately \$35,000 and \$49,000, respectively.

16. Unrelated Business Income Taxes

Unrelated business income tax relating to golf course operations, retail stores and real estate referral activities resulted in income tax expense for years ended December 31, 2017 and 2016.

Lake Junaluska files an income tax return for its unrelated business income. Lake Junaluska regularly reviews and evaluates its tax positions taken in previously filed returns and in its financial statements, with regard to issues affecting its tax-exempt status, unrelated business income, and related matters. Lake Junaluska believes that in the event of an examination by taxation authorities, its position in regard to these matters would prevail. Therefore, Lake Junaluska has concluded no additional provision for tax benefits or liabilities is required to be recognized.

17. Real Estate Activities

Lake Junaluska has developed property and holds it for sale to private homeowners. All development costs are capitalized as incurred. As of December 31, 2017 and 2016, land held for sale was \$469,227 and is included in property and equipment in the Statement of Financial Position. All proceeds from this activity are board-designated and are to be utilized for capital assets at Lake Junaluska with expected useful lives of greater than seven years. Revenue is recognized when all sales proceeds are received or a note receivable is accepted.

18. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Buildings and grounds	\$ 1,078,573	\$ 577,679
Assembly Public Works	235,787	279,731
Group-organized directed funds	588,889	159,918
Ministry and program	233,783	129,466
Endowment holding	-	140,150
	<u>\$ 2,137,032</u>	<u>\$ 1,286,924</u>

19. Subsequent Events

In January 2018, Lake Junaluska took out a \$1.8 million construction loan and signed a \$2 million construction agreement to renovate one of Lake Junaluska's hotels. The construction loan has an interest rate of 4.15% and matures in February of 2023.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE & NECESSITY
AND FOR APPROVAL OF RATES

INSTRUCTIONS

Notes or explanations placed in the margins of the application are acceptable. If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable" or cross out the section.

APPLICANT

1. Trade name used for utility business Lake Junaluska Assembly, Incorporated

2. Name of owner (if different from trade name) Lake Junaluska Assembly, Incorporated Board of Trustees

3. Business mailing address PO Box 339

City and state Lake Junaluska Zip Code 28745

4. Business street address (if different from mailing address) 19 Sleepy Hollow Drive, Waynesville, NC 28785

5. Business telephone number (828) 452-5911

6. If corporation, list the following:

President Michael Warren Vice President Bishop Mary Virginia Taylor

Secretary Annette Brown Treasurer N/A Three (3) largest stockholders

and percent of voting shares held by each

Lake Junaluska Assembly, Incorporated is a 501 (c)3 Non-Profit Corporation. No stockholders.

7. If partnership, list the owners and percent of ownership held by each

PROPOSED UTILITY SERVICE AREAS

8. Name of Subdivision or Service Area Lake Junaluska Assembly

9. County (or Counties) Haywood County

10. Type of Service (Water and/or Sewer) Water and Sewer

PROPOSED RATES

(Amount Applicant Proposes to Charge)

See Attachment #1C, Proposed Rates. For the reasons set forth in Attachment #1.D, LJA requests approval of a \$8.14/reu capital improvement assessment for every customer.

11. Metered Residential Service

Water: 782 customers

Sewer: 748 customers

12. Flat Rate Residential Service:

Water: 0 customers

Sewer: 25 Residential customers; 4 Nonresidential customers

13. Nonresidential Service (explain):

Water: 73 customers (Conference Center, B&Bs, offices for other organizations)

Sewer: 43 customers (Conference Center, B&Bs, offices for other organizations)

14. Tap-on fees:

Water: \$600

Sewer: \$650

15. Finance charge for late payment:

1 percent

(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)

16. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20:

\$15

17. Reconnection charge if water service discontinued at customer's request: \$0

18. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16:

\$15

19. Other charges: No other charges

PROPOSED BILLING

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1. Frequency of billing shall be (monthly, quarterly, etc.) Monthly

2. Billing shall be for service (in advance or arrears) Arrears

3. Bills past due 25 days after billing dates: (NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).

4. Will regular billing be by written statement? (yes or no) Yes

5. Will the billing statement contain the following? (Indicate yes or no for each item)

(a) Meter reading at beginning and end of billing period Yes

(b) Date of meter readings Yes

(c) Gallons used, based on meter readings Yes, in Cubic feet

(d) Amount due for current billing period listed as a separate amount Yes

(e) Amount due from previous billing period listed as a separate amount Yes

(f) Amount due for each special charge (i.e., deposits, tap fees, etc.) listed as a separate amount .. Yes

6. Show how the following will appear on the billing statement:

(a) Mailing address of company: PO Box 339, Lake Junaluska, NC 28745

(b) Address where bill can be paid in person: 19 Sleepy Hollow Drive, Waynesville, NC, 28785

(c) Name and phone number of alternative persons to contact for emergency service after business hours:
After Hours Public Works (828) 734-2987; Haywood County Sheriff's Emergency Dispatch (828) 452-6666; Jack Carlisle (813) 495-2139

7. Is service already metered? (yes or no) Yes

8. Does the Applicant understand the provisions for establishing credit and collecting customer deposits set forth in NCUC Rules and Regulations, Chapter 12? (yes or no) Yes

(Customer deposits must be refunded to customers having not more than two (2) bills overdue during a 12-month period and who are not then delinquent on the payment of their bills, per NCUC Rule R12-5.)

PRESENT RATES

9. Are you presently charging for service? If so, describe the rates being charged.

Yes. See Current rate chart, Attachment #1.B.

10. How long have these rates been in effect?

Since November 1, 2017

PERSONS TO CONTACT

	<u>NAME</u>	<u>ADDRESS</u>	<u>TELEPHONE</u>
11. General Manager	<u>Jack Carlisle</u>	<u>19 Sleepy Hollow Dr. Waynesville, NC 28785</u>	<u>(828) 452-5911</u>
12. Complaints or Billing	<u>Jenna Senocak</u>	<u>Same</u>	<u>Same</u>
13. Engineering Operations	<u>Jack Carlisle</u>	<u>Same</u>	<u>Same</u>
14. Emergency Service	<u>Office</u>	<u>Same</u>	<u>Same</u>
15. Accounting	<u>Jenna Senocak</u>	<u>Same</u>	<u>Same</u>

16. Are the names and phone numbers shown above listed in the phone book by each of the proposed service areas?
(yes or no) No

17. Can customers make phone calls for service without being charged for a long distance phone call? (yes or no)
Yes

18. Do persons designated to receive phone calls for emergency service, after regular business hours, have authority to provide the needed repairs without first contacting owner? (yes or no) Yes

19. List the qualifications of the person in charge of the utility system:

**David Ward, Operator in Responsible Charge, NC Water Treatment Facility Operator Board - "B"
Distribution License #070330, NC Water Pollution Control System Certification License #992293**

20. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer, or rate increase: None

18.	Number of customers at the end of test year	Water	<u>855</u>	<u> </u>	<u> </u>
		Sewer	<u>823</u>	<u> </u>	<u> </u>
19.	Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.)	Water	<u>1,018</u>	<u> </u>	<u> </u>
		Sewer	<u>1,014</u>	<u> </u>	<u> </u>
20.	Number of customers that can be served by pumping capacity	Water	<u>990</u>	<u> </u>	<u> </u>
21.	Number of customers that can be served by storage tank capacity	Water	<u>800</u>	<u> </u>	<u> </u>
22.	Number of customers that can be served by treatment plant capacity	Sewer	<u>N/A- we do not have a treatment plant</u>	<u> </u>	<u> </u>
23.	Name nearest water/sewer utility system		<u>Town of Waynesville & Junaluska Sanitary District</u>	<u> </u>	<u> </u>
24.	Distance to nearest water/sewer utility system		<u>Contiguous</u>	<u> </u>	<u> </u>
25.	Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no)		<u>No</u>	<u> </u>	<u> </u>
26.	a. DENR System I.D. No.	Water	<u>NC 01-44-107</u>	<u> </u>	<u> </u>
	b. NPDES or Nondischarge Permit No.	Sewer	<u>Collection System ID: 00184</u>	<u> </u>	<u> </u>

FINANCIAL STATEMENT

1. Will a separate set of books be maintained for the utility business?

Yes

2. Will a separate bank account be maintained for the utility business?

Yes

3. Are the revenues and expenses listed below based on past operations or are they estimated for future operations?

(actual or estimated) 2018 Estimated/adjusted budget, please see Attachment #2

Note: If the Applicant already holds a public utility franchise, the proposed service area is new (i.e., there are no customers being served), and the proposed rates herein are the same as those previously approved, then the financial information below (lines 4 through 35) may be omitted.

REVENUES AND EXPENSES

For 12 Months Ended 2018 Budget (Date)
(Attachment #2)

<u>Revenues</u>	<u>Water</u>	<u>Sewer</u>
4. Residential service (flat rate)	\$ _____	\$ _____
5. Residential service (metered rate)	\$ _____	\$ _____
6. Nonresidential service (flat rate)	\$ _____	\$ _____
7. Nonresidential service (metered rate)	\$ _____	\$ _____
8. Other revenues (describe in remarks below)	\$ _____	\$ _____
9. Total Revenues (Lines 4 thru 8)	\$ _____	\$ _____
10. Total salaries (except owner)	\$ _____	\$ _____
11. Salaries paid to owner	\$ _____	\$ _____
12. Administrative and office expense (except salaries)	\$ _____	\$ _____
13. Maintenance and repair expense (except salaries)	\$ _____	\$ _____
14. Transportation expenses	\$ _____	\$ _____
15. Electric power for pumping	\$ _____	\$ _____
16. Chemicals for treatment	\$ _____	\$ _____
17. Testing fees	\$ _____	\$ _____
18. Permit fees	\$ _____	\$ _____

19.	Purchased water/sewer treatment	\$ _____	\$ _____
20.	Annual depreciation	\$ _____	\$ _____
21.	Taxes: State income taxes	\$ _____	\$ _____
22.	Federal income taxes	\$ _____	\$ _____
23.	Gross receipts (or franchise tax)	\$ _____	\$ _____
24.	Property taxes	\$ _____	\$ _____
25.	Payroll taxes	\$ _____	\$ _____
26.	Other taxes	\$ _____	\$ _____
27.	Interest on debt during year	\$ _____	\$ _____
28.	Other expenses (describe in remarks below)	\$ _____	\$ _____
29.	Total Expenses (Lines 10 thru 28)	\$ _____	\$ _____
30.	Net Income (Line 9 minus Line 29)	\$ _____	\$ _____

Remarks

31. None

NUMBER OF CUSTOMERS SERVED

	<u>Water</u>		<u>Sewer</u>	
	<u>Flat Rate</u>	<u>Metered</u>	<u>Flat Rate</u>	<u>Metered</u>
36. Customers at beginning of year	<u>0</u>	<u>851</u>	<u>29</u>	<u>790</u>
37. Customers at end of year	<u>0</u>	<u>855</u>	<u>29</u>	<u>794</u>
38. Average gallons used per customer	<u>3.77 ccf or 2,820 gal/mo/reu</u> per month			

COST OF UTILITY SYSTEM

1. Is the cost of utility system listed below based on past operation, or is it estimated for future operation?
(actual or estimated) Actual

2. Does the cost of utility system listed below represent the cost to the Applicant herein? (yes or no)
Yes

If no, list cost (purchase price to Applicant). _____

ORIGINAL COST OF UTILITY SYSTEM

As of Year _____ (Date)
Ended _____

* Historical records do not exist documenting the original cost of the system.

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	<u>Balance at End of Year</u>	
	<u>Water</u>	<u>Sewer</u>
3. Land and rights-of-way	\$ _____	\$ _____
4. Structures and site improvement	\$ _____	\$ _____
5. Wells	\$ _____	\$ _____
6. Pumping equipment	\$ _____	\$ _____
7. Treatment equipment	\$ _____	\$ _____
8. Storage tanks	\$ _____	\$ _____
9. Mains (excluding service connections)	\$ _____	\$ _____
10. Service connections	\$ _____	\$ _____
11. Meters (including spare meters)	\$ _____	\$ _____
12. Office furniture and equipment	\$ _____	\$ _____
13. Transportation equipment	\$ _____	\$ _____
14. Other utility property in service (describe in remarks below)	\$ _____	\$ _____
15. Total utility property in service (Lines 3 thru 14)	\$ _____	\$ _____
16. Less: accumulated depreciation	\$ _____	\$ _____
17. Less: accumulated tap fees and other contributions in aid of construction	\$ _____	\$ _____
18. Less: customer advances	\$ _____	\$ _____
19. Net investment in utility property (Line 15 minus 16, 17, & 18)	\$ _____	\$ _____

	<u>Balance at End of Year</u>	
	<u>Water</u>	<u>Sewer</u>
20. Construction work in progress	\$ _____	\$ _____

Utility Property Not in Service

- 21. Property held for future use \$ _____ \$ _____
- 22. Other (describe in remarks below) \$ _____ \$ _____

Remarks

- 23. **System is "pay-as-you-go," funded from customer rates** _____
- 24. _____
- 25. _____
- 26. _____

RECOVERY OF PLANT COST

The utility proposes to recover the cost of the plant listed on Page 5, Line 15 as follows:

	<u>Water</u>	<u>Sewer</u>
1. Amount to be contributed by developer	\$ <u>0</u>	\$ <u>0</u>
2. Amount to be recovered through tap fees	\$ <u>Nominal amount</u>	\$ _____
3. Amount to be recovered through rates	\$ <u>100 percent</u>	\$ _____
4. Other (please describe below on Line 6)	\$ _____	\$ _____
5. Total cost of plant	\$ _____	\$ _____

6. Description of other:

ANNUAL DEPRECIATION

***N/A, as Applicant is a tax-exempt non-profit and improvements are funded from customer rates**

7. If annual depreciation is claimed using a composite rate for the entire system, show rate of depreciation used:

Water: _____

Sewer: _____

8. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used: _____

OTHER FINANCIAL INFORMATION

1. Please provide the following capital structure information for the Company prior to the purchase of the new water and/or sewer system(s):

*** N/A as Applicant created the system beginning in 1913, financed from the sale of property.**

a. Capital structure as of _____

b. Capital structure balances:

	<u>Amount</u>	<u>Percent Of Total Capital</u>
Long-term debt/loans	\$ 0 _____	_____
Preferred stock (if any)	\$ 0 _____	_____
Common equity:		
Common stock	\$ 0 _____	_____
Retained earnings	\$ 0 _____	_____
Total common equity	\$ 0 _____	_____
 Total capital	 \$ 0 _____	 100% _____

2. The purchase price of the system will be financed as follows:

a.	Long-term debt	\$ 0	_____
b.	Short-term debt	\$ 0	_____
c.	Common stock	\$ 0	_____
d.	Retained earnings	\$ 0	_____
e.	Other (please describe below on Line g)	\$ 0	_____
f.	Total purchase price	\$ 0	_____

g. Description of other: _____

3. Please provide the following for improvements/additions to be made in the first year:

a. Brief description: **Ongoing replacement of aging infrastructure, water and sewer, \$200,000. See Attachment #3**

b. Financing:

(1)	Long-term debt	\$ 0	_____
(2)	Short-term debt	\$ 50,000 – 70,000 as a result of billing in arrears	_____
(3)	Common stock	\$ 0	_____
(4)	Retained earnings	\$ 0	_____
(5)	Other (please describe below on Line (7))	\$ 0	_____
(6)	Total improvements/additions	\$ 0	_____

(7) Description of other: **Source of financing improvements is currently built into the rates as a “pay-as-you-go” system.**

- 1. Are there any major improvements/additions required in the next five years and the next ten years? Indicate the estimated cost of each improvement/addition, the year it will be made, and how it will be financed (long-term debt, short-term debt, common stock, retained earnings, and other (please explain)).

No plans for new additions. Replacement plan is delineated below.

- 2. Are there any major replacements required in the next five years and the next ten years? Indicate the estimated cost of each replacement, the year it will be made, and how it will be financed (long-term debt, short-term debt, common stock, retained earnings, and other (please explain)).

5-YEAR SYSTEM IMPROVEMENT PLAN: See Attachment #3A

**10-YEAR SYSTEM IMPROVEMENT PLAN:
2024-2029 Capital Program to be delineated following completion of a new engineering study in 2020-2021, with an assumption of continued capital investment of at least \$200,000.**

- 3. Please fill out the attached addendum showing the projected cash flows and income statement for the first five years of operation of this system. This addendum should be for the utility system for which the subject application is being submitted, exclusively. Instructions are included on page 3 of the addendum. The following information may be provided instead of filing the addendum:

**** Providing this information in lieu of the addendum:**

- (1) Audited financial statements for the utility and/or parent company.

See 2017 Audited Financial Statement (Exhibit E)

- (2) Budgets, capital and operating, for the company's North Carolina utility operations for the next five years.

See 5-Year Fiscal Projections (Attachment #4)

- (3) The most recent fiscal year budgets, capital and operating, and the actual amounts for that year for the utility's and/or parent company's North Carolina utility operations.

2018 Water/Sewer Budget (Attachment #2)

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

1. If the Applicant is a corporation, enclose a copy of the Articles of Incorporation on file with the North Carolina Secretary of State. (Not required if previously filed with the Commission.)

Filed previously with the 2007 application in Docket W-1274, Sub 0.

2. If the Applicants are doing business as a partnership, enclose a copy of the partnership agreement. (Not required if previously filed with the Commission.)

N/A - Applicant is a non-profit.

3. If the Applicant is conducting business under a trade name or d/b/a, enclose a copy of the certificate filed with the register of deeds in each county where the Applicant will be conducting business as required by G.S. 66-68.

N/A

4. Enclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each water system.

Enclosed - Exhibit A

5. Enclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each sewer system.

Enclosed - Exhibit B

6. Enclose a copy of a Division of Environmental Health (DEH) report on a chemical analysis of untreated water from each well. (This should not be confused with the monthly samples submitted to DEH for bacteriological analysis. Contact DEH for instructions to obtain a sample for chemical analysis.)

N/A - Applicant is a purchased water and sewer system

7. Enclose a copy of purchase agreements or contracts showing provision for ownership or control of the water or sewer systems, including sites for wells or treatment plants.

N/A - Applicant is a purchased water and sewer system

8. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the utility and any other party (land developers, customers, etc.) regarding the proposed utility services, including contracts regarding tap fees, construction costs, easements, and rights-of-way, etc. (If none, write "none").

None

9. Enclose a vicinity map showing the location of the proposed subdivisions or service areas in sufficient detail for someone not familiar with the county to locate the subdivisions. (A county roadmap with the subdivisions outlined is suggested.)

Enclosed – Exhibit C

10. Enclose maps of the subdivisions in sufficient detail to show the layout of streets, lots, the water or sewer mains, hydrants, wells, pumping equipment, treatment facilities, storage facilities, etc.

Enclosed – Exhibit D

11. Enclose a copy of the workpapers supporting the estimate of the plant costs, including a breakdown by type of plant item, showing the detail of how the estimated cost was determined, and indicating which plant items, if any, will be contributed to the utility.

N/A - Applicant is a purchased water and sewer system

12. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Applicant.

Enclosed – Exhibit E

13. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Applicant.

Enclosed – Exhibit E

14. If the information requested in Exhibits 12 and 13 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the utility and/or parent company.

FILING INSTRUCTIONS

15. Eight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325**. One of these copies must have an original signature. (Applicants must also provide any copies to be returned to them.)

16. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$250 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$100 filing fee. A Class C company (annual revenues less than \$200,000) requires a \$25 filing fee. **MAKE CHECK PAYABLE TO THE N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.**

SIGNATURE

17. Application shall be signed and verified by the Applicant.

Signature McKB Howle

Date 9-24-18

18. (Typed or Printed Name) McKenzie B Howle

personally appearing before me and, being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.

This the 24 day of September, 2018

Leslie Ann Oliver
Notary Public
Leslie Ann Oliver

726 Jenkins Valley Rd Alexander NC 28701
Address

My Commission Expires: 9/20/2021
Date



Amended
Application
1A

BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1274, Sub 7

In the Matter of)
Application of Lake Junaluska Assembly, Inc.)
for a Certificate of Public Convenience)
And Necessity, and for Approval of Rates)

**AMENDMENT TO APPLICATION FOR A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY AND FOR APPROVAL OF RATES,
AND REQUEST FOR APPROVAL OF PASS THROUGH OF WAYNESVILLE'S
RATE INCREASE FOR PURCHASED SEWER SERVICE**

NOW COMES Lake Junaluska Assembly, Inc. ("LJA"), and hereby amends its Application for a Certificate of Public Convenience and Necessity and for Approval of Rates ("Application") filed in this docket on September 28, 2018.

1. Amendment to Application.

As shown in Attachment 1C to its Application, LJA requested approval of a base sewer rate of \$17.00 per month for a standard residential sewer customer, and other higher monthly base rates for commercial users. LJA also initially requested approval of a metered sewer rate of \$0.04400 per cubic foot, which equates to \$4.40 per 100 cubic feet ("CCF").

LJA resells bulk sewer service which it purchases from the Town of Waynesville ("Waynesville"). LJA initially proposed rates for sewer usage based on the \$4.40 per CCF rate, except for one commercial customer with a 4" meter who is billed based on usage under a per thousand gallons rate of \$5.88.¹

As shown by attached LJA Exhibit 2, effective as of July 1, 2019, Waynesville increased its rate for bulk sewer service by ten percent (10%) from \$3.098 per CCF to

¹ This rate is adjusted due to the fact that there are only 748 gallons in a CCF.

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Aug 12 2019

\$3.4078 per CCF. This is a \$0.31 per CCF increase, which equates to \$0.41 per thousand gallons. Waynesville's rate for bulk water service did not change.

LJA accordingly hereby amends its Application to request Commission approval of a metered sewer rate that will reflect Waynesville's 2019 bulk sewer service rate increase, resulting in amended proposed metered sewer usage rates for LJA of \$4.71 per CCF ($\$4.40 + \0.31) and of \$6.29 per 1,000 gallons ($\$5.88 + \0.41).

2. Request for Approval of Pass Through.

LJA finds itself in an unusual status, where it is not presently subject to Commission rate regulation but has agreed to re-submit itself to the Commission's jurisdiction. No approval would be necessary for an unregulated provider of sewer service that is not currently subject to rate regulation to be able to pass through Waynesville's rate increase for purchased sewer service. Likewise, a regulated provider of water or sewer service would be readily able to pass through the Waynesville rate increase pursuant to N.C. Gen. Stat. § 62-133.11.

LJA accordingly requests that the Commission approve a pass through of the Waynesville rate increase for purchased bulk sewer service at this time, whereupon LJA will increase its present rates from \$3.99/CCF to \$4.30/CCF ($\$3.99 + \0.31) and from \$5.33/1,000 gallons to \$5.74/1,000 gal. ($\$5.33 + \0.41).

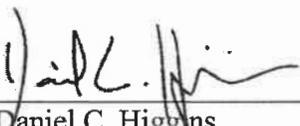
WHEREFORE, LJA respectfully requests that the Commission:

1. Grant LJA a Certificate of Public Convenience and Necessity and approve LJA's proposed rates, as such proposed rates are amended herein;
2. In the interim, issue an order approving LJA's pass through of Waynesville's purchased sewer rate increase as described herein; and

3. For such other and further relief as the Commission deems just and proper.

Respectfully submitted, this the 12th day of August, 2019.

BURNS, DAY & PRESNELL, P.A.

By: 

Daniel C. Higgins
Post Office Box 10867
Raleigh, North Carolina 27605
Tel: (919) 782-1441
Facsimile: (919) 782-2311
E-mail: dhiggins@bdppa.com
Attorneys for Lake Junaluska Assembly, Inc.

OFFICIAL COPY

Aug 12 2019

VERIFICATION

Mckenzie B Howle [name], personally appearing before me and, first being duly sworn, says that the information contained in the attached Amendment of Application and Request for Approval of Pass Through, and in the exhibit attached thereto, are true to the best of his knowledge and belief.

This the 9th day of August, 2019.

Mck B Howle
[name]

State: North Carolina
County: Beaufort

Sworn to and subscribed before me,
in this 9th day of August, 2019.

Leslie Ann Oliver
NOTARY PUBLIC

Printed Name: Leslie Ann Oliver

My Commission expires: 9/20/2021

(Notary Seal)

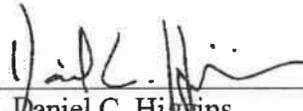
CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing document has been served on all counsel of record in these dockets, if any, and the Public Staff, by either placing same in a depository of the United States Postal Service, first-class postage prepaid and addressed as shown below, or by electronic delivery.

This the 12th day of August, 2019.

BURNS, DAY & PRESNELL, P.A.

By:



Daniel C. Higgins
Post Office Box 10867
Raleigh, North Carolina 27605

SERVED ON:

OFFICIAL COPY

Aug 12 2019

Amended Application

LJA Exhibit 2

1A

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AUG 12 2019

-----Original Message-----

From: Dean Trader <dtrader@waynesvillenc.gov>

To: jtweed629@aol.com <jtweed629@aol.com>

Sent: Fri, Jun 21, 2019 8:36 am

Subject: RE: Lake Junaluska sewer rates

Mr. Tweed,

The new rates of \$3.4078 for Sewer will take effect as of August 1, 2019 for service rendered on and after July 1, 2019

The new Sewer rates are a 10% increase over the 2018-2019 Sewer rates.

The water rates will remain unchanged.

Please contact our office if you have any questions or if you need any additional information !

Best Regards



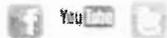
Dean Trader | Finance

Town of Waynesville, NC

16 S. Main Street | PO Box 100 | Waynesville, NC 28786

(o) 828.456.3515 | (direct) 828.456.3411 | (f) 828.454.8889

dtrader@waynesvillenc.gov | www.waynesvillenc.gov



From: jtweed629@aol.com <jtweed629@aol.com>
Sent: Thursday, June 20, 2019 10:47 AM
To: Dean Trader <dtrader@waynesvillenc.gov>
Cc: jcarlisle@lakejunaluska.com; isenocak@lakejunaluska.com; dhiggins@bdppa.com; gina.casselberry@psncuc.nc.gov; william.grantmyre@psncuc.nc.gov
Subject: Lake Junaluska sewer rates

Dear Mr. Trader:

I am Jerry Tweed and am working with Lake Junaluska as a consultant to help in establishing their franchise and initial rates before the North Carolina Utilities Commission. It is my understanding that the Town of Waynesville will increase the bulk sewer rate (I assume for service rendered on and after July 1, 2019) from \$3.098/100cf to \$3.4078/100cf. This is an increase of \$0.3098/100cf or a 10% increase.

Can you please confirm this email and date of implementation of the new rate so that we can request approval to adjust our application to the Utilities Commission to increase our requested rate by \$0.3098/100cf.

My understanding is that the water rates will remain unchanged.

Thanks

Jerry H. Tweed
103 Redgate Drive
Cary, N.C. 27513
Cellphone (919) 880-4525

I/



Lake Junaluska

Assembly Public Works

Lake Junaluska Assembly Public Works Water and Sewer System Assessment and Appraisal

Spring 2012

By Buddy Young and Andrew d'Adesky

DISCLAIMER: The content of this document represents the views and opinions of the authors alone. They do NOT reflect official positions or views of Cavanaugh and Associates, P.A., the Environmental Finance Center at the UNC School of Government, Lake Junaluska Assembly Board of Directors, or any of its official governing bodies.

Executive Summary:

This Assessment and Appraisal is being released along with the Capital Improvement Plan (CIP) that has been completed by Cavanaugh and Associates, P.A. The CIP spells out in detail the areas of our water and sewer systems that are in critical need of repair and the estimated cost of those repairs over the next ten years. This Assessment and Appraisal is an attempt to put the CIP into perspective, to inform our community about our water and sewer systems, and to help us as a community to identify the best way to move forward with this plan and integrate it into our overall strategic planning process.

Background

Lake Junaluska Assembly Public Works' (APW) water and sewer infrastructure finds itself in a situation similar to most water and sewer systems in the United States. The American Water Works Association completed national a study, Dawn of the Replacement Era, in May 2001, that states *"Water utilities must make a substantial reinvestment in infrastructure over the next 30 years. The oldest cast iron pipes, dating to the late 1800s, have an average life expectancy of about 120 years. Because of changing materials and manufacturing techniques, pipes laid in the 1920s have an average life expectancy of about 100 years, and pipes laid in the post-World War II boom can be expected to last about 75 years. The replacement bill for these pipes will be hard on us for the next three decades and beyond."*

Water and sewer are by far the most capital intensive of all utility services, mostly due to the cost of the pipes. The infrastructure is literally a buried treasure beneath our streets, but buried means out of sight and as the old saying goes; out of sight, out of mind. Like most communities, Lake Junaluska's infrastructure was laid down and paid for during the economic booms that characterized the last century's periods of growth and expansion. So not only do we take these pipes for granted because we can't see them, we also take them for granted because, for the most part, the huge capital expense of installation of the pipes is a cost that today's customers have never had to bear. Importantly, there is no evidence that America's utilities or Lake Junaluska's in particular are "behind the curve" or that the Assembly's infrastructure is in ruins. America has by far the safest drinking water and the most efficient waste removal in the world. Lake Junaluska is no exception. However we do find ourselves at the time when there is a compelling need to significantly increase the levels of spending on our infrastructure replacement and upgrades.

Capital Improvement Plan

Approximately 13 years ago, Bob Mitchell, the previous Director of Residential Services, (currently APW) determined that we had a huge discrepancy between the amount of water we were purchasing from Waynesville and the amount we were billing our customers. At the time it was impossible to know what was leaking and what was not being metered correctly. Meters were installed at the Terrace Hotel and Lambuth Inn in 2001. A program of identifying defective meters and unmetered outlets was begun and continued for several years. Once we had effectively metered all known outlets, the water loss was calculated to be 48% of the amount purchased and was believed to be almost exclusively leaks or true water loss.

Our crew did their best to identify and fix leaks, but realized that we did not have the equipment or expertise to locate underground leaks that had either found their way into the storm drainage or sewer systems. Cavanaugh and Associates, P. A., an engineering firm with offices in Asheville, was retained to conduct a Modified Water Audit that included, review of purchase, consumption, operational records, verify water loss quantities and value, conduct a pressure management study and leak detection survey. The report they delivered identified

several major leaks that were repaired, bringing our water loss down to 26% in 2010. This represents a tremendous improvement in water loss in a short period of time. While there is no accepted industry standard, APW has identified, through Cavanaugh's Modified Water Audit, a long-term water loss end target of approximately 7 to 8 million gallons per year, or approximately 10 – 13% of system input.

Our crew worked closely with Cavanaugh through the study and follow up. Because of our familiarity with Cavanaugh and their understanding of our system, we retained Cavanaugh to develop our CIP in 2012. The specifications of the CIP were: develop a general system inventory, develop a schedule of water and sewer capital needs for the next 10 years, develop a preliminary cost opinion for the 10 year capital improvements, and to provide summary report. The summary report is being released and made public along with this Assessment.

APW is treated as a not for profit developer by the NC Utility Commission, Public Water Supply and by the Division of Water Quality (sewer). We are not eligible for government grants or loans. There are more stringent regulations attached to grants, federal loans and municipalities than for private developers. One example of the difference is the size of sewer pipes and the availability of manholes required. A municipality is required in some instances to use 8" pipe and install manholes at certain lengths and in certain situations. A developer may use 6" pipe with cleanouts on similar sewer service. Another example is the placement of hydrants, which is more clearly defined for a municipality than for a developer. In our CIP, Cavanaugh treated us as a developer using the less costly requirements for sewer and planning for the replacement of hydrants at or near their current locations.

APW cannot deny that it is seriously "behind the curve" in our technology and system inventory. Our system mapping and inventory is practically non-existent. This information is essential to the efficient operation of our system. More and more emphases are being placed on the accuracy and thoroughness of this information by regulatory agencies. The cost of mapping has been included in the CIP. The estimated cost for mapping our water system is \$50,000 and \$35,000 for sewer.

Our billing and work-order software is DOS based technology and was installed in 1996. The software will not be supported by the manufacturer much longer. We have looked into upgrades and have included a minimal cost of \$5,000 in our Strategic Equipment Report that was released in the spring of 2011.

Most utilities are currently upgrading older mechanical water meters to digital meters that may be read electronically. Not only are these meters more efficient and accurate when meters are read for billing, they provide much more information about customer usage and flow. To upgrade our system to include digital meters including the related software and hardware would add about \$196,000 to our capital budget. This estimate is based on a cost of \$200 installation for each meter and \$30,000 for the required software and hardware. This improvement is not included in the CIP.

There are cost estimates in the CIP included as Asphalt Repair. APW released our Strategic Pavement Survey last year. There is a great deal of overlap in our Pavement Survey and our CIP. The information in these two plans must be considered together as we set our project priorities to avoid costly duplication of projects and may even represent savings in one study or the other.

Not only are our pipes in serious need of improvements, we must increase expenditures to keep up with compliance requirements. More rigorous testing is required as testing technology develops. APW outsources all of our testing except the most basic checks. Permitting of major projects has become much more costly and requires extensive professional engineering and surveying. APW is not equipped to undertake the needed capital improvements without professional services and guidance. Therefore these additional costs are included in the CIP as Engineering-Administration and are calculated at a rate of 15% of the cost of the projects.

There are several significant components of our system that are not addressed in the CIP, such as the reservoir, the Liberty Road pump station and the Tri-Vista sewer lift station. These facilities are in sound condition and should not need significant investment in the next ten years. They are discussed in more detail in the Current Asset portion of this report.

Financial Information

APW annual water and sewer budget is approximately \$500,000 per year. Currently our monthly household charges for 5,000 gallons of water and sewer is \$55.00; the average of all NC municipal utilities is \$59.99 per month. Unlike most utilities APW does not treat water or sewage. We are a purchase system and have contracted with The Town of Waynesville to provide all of our water and sewer treatment. As a purchase system a major part of our expenses, the cost of water and sewer is passed on directly to the water and sewer supplier and is for the most part, out of our control. If a purchase system has major water loss (as we have experienced) the cost for the loss is the full price of water and sewer treatment, whereas a utility that treats its own water and sewage only pays for the cost of water treatment. However, it should be noted that by not owning and operating our own water and sewer treatment facilities, there are also no upgrades or improvements to these facilities coming due.

Of the total APW water and sewer budget of \$500,000, approximately \$350,000 is budgeted as a pass-through to Waynesville. This pass through to Waynesville includes Fire Protection fees of approximately \$40,000 per year. The reason fire protection is included in the Water and Sewer Budget is that the fire protection is included in APW monthly utility bill and also in Waynesville's monthly water and sewer billing to APW. After the pass through payments to Waynesville, our operation and maintenance budget is only around \$150,000. This includes wages and benefits for two crew members, testing, licensing, equipment, billing and postage, as well as the repair and maintenance of the system. Obviously there is very little extra funding to undertake the CIP.

The APWs' water and sewer rate structure has been established and approved by the North Carolina Utility Commission. The rate structure is set up to provide funding for the operation and management of the system by a set base rate applied to all customers regardless of usage. The rate is based on the size of the tap supplying the water and the tap to remove sewer. Our base household rate is \$8.65 for water and \$8.25 for sewer based on ¾ inch diameter water lines and 4" sewer lines. For comparison, the base rate for the Lambuth Inn and the Terrace Hotel are \$437.25 for water and \$369.89 for sewer based on 6 inch lines for water and sewer. In addition to the base rate there is an add-on charge per cubic foot for water and sewer used. This rate is based on the rate that APW pays to the Town of Waynesville plus a markup for water loss and system flushing. The markup on our water and sewer usage is approximately 30% due to our recent water loss of 26% in 2010 and 27% on 2011 plus normal flushing. The usage rate is \$0.0253 for water and \$0.033 per cubic foot for all customers. Financing of our water and sewer upgrades should follow this formula to avoid potential intervention from the NC Utility Commission.

As pointed out in the Preliminary Report on the Municipal Status of Lake Junaluska, under our present municipal structure, the costs for maintaining the infrastructure of the Assembly will fall solely upon the property owners of Lake Junaluska; without assistance from government grants, loans, additional revenue sources or a broader tax base. The arithmetic for financing our CIP under our current rate structure is simple. As stated earlier our operation and maintenance budget is approximately \$150,000 per year, allocating half for water and half for sewer, we have a base rate budget of \$75,000 per year for each. The CIP estimates that we will need to spend approximately \$1,145,000 on water system upgrades over the next ten years, or an average of \$114,500 per year. If this amount is added to our current base of \$75,000, we should plan to budget \$189,500 per year for water operation and management. This represents a 152% increase in our base rate to \$21.80 per month for household connections. Our sewer CIP proposes a ten year layout of \$633,600 or an annual increase from \$75,000 to \$138,360 in our operation and management budget, representing an increase of 85%, bringing our monthly sewer base rate to \$15.26 for household customers. The usage rate applied on top of the base rate would remain the same unless Waynesville increases their rates, which would be passed on to our customers.

Financial and operational information along with other utility benchmarks for NC's municipalities is available on the website of the Environmental Finance Center at the UNC School of Government, www.efc.unc.edu/ratesdashboard/nc.html. Lake Junaluska is not part of this survey because we are not a municipality. Additional information on benchmarking municipalities' water and sewer related debt can be found through the Local Government commission, specifically at the NC State Treasurer's website at the following address, www.nctreasurer.com/dsthome/StateAndLocalGov/lgcreport.

Current Assets

Trying to establish a value on our system has proven to be a challenge because of our lack of solid information about our systems and our limited research capabilities. However, we have established very conservative and simplified estimates of our physical assets, using federal infrastructure cost standards provided by staff at the Environmental Finance Center at UNC's School of Government. We have based our calculations on our system containing 26 miles of water and sewer pipes, a total of 137,280 feet of pipe each. The value was computed under the assumption that approximately 10% of the system was added each 10 years for the past 100 years, with the average lifespan of the pipe being 100 years. Therefore, the value of pipe placed 100 years ago would be 0, as it has fully depreciated to the end of its expected lifespan, while the value of pipe placed 50 years ago would be worth 50% of its value, since it has depreciated to half of its expected lifespan.

Using this calculation method, the total current "value" of the pipes in our water system in 2012 is \$4,257,080. If one adds to this the value of our water meters, whose estimated value is approximately \$180,000 in 2012, the total value of our water system rises to \$4,437,000.

Our sewer system's value is calculating similarly. The sewer system is approximately the same length as the water system, 26 miles, with a total of 137,280 feet of pipe. Our estimate is that 60% of the pipe is 6 inches in diameter or smaller, while 40% of the pipe is 12 inches in diameter, with the larger pipe costing more per foot than the smaller pipe. Using the same method for calculating age and depreciation as the water system, the total value of our sewer system is estimated at \$6,798,464.

Adding together both the value of the water system and sewer system, you would reach a total current value of \$11,235,543 for the Lake Junaluska water and sewer system, including water meters. This does not include the value of our reservoir or pump stations.

To determine the actual monetary amount that Lake Junaluska has put into the system over the past 100 years, we are using the Construction Index Inflation rates provided by the UNC Environmental Finance Center. In other words, about how much have we actually paid over the years for our water and sewer system? If we use the same assumption that we installed 10% of our system starting in 1912 and going forward added 10% per decade, Lake Junaluska has spent \$2,079,518 over the past 100 years on our water system, including both pipes and water meters. One might ask, "How is our water system worth almost \$4.45 million when we spent about \$2 million on it?" It is a direct result of inflation and rising construction costs. If 10% of the system was built in 1912 - 1922, in this period they are estimated to have only paid around \$10,000 for that segment; building the same amount of pipe today would cost about \$950,000, not including permitting or planning costs, which have risen drastically over the past 100 years.

Using the same calculation method for the sewer system and once again assuming that 60% of

the pipe is of 6 inch diameter or smaller and 40% is of 12 inch diameter, Lake Junaluska is estimated to have spent around \$3,033,488 over the past 100 years on its sewer system. Once you combine these figures, you can estimate that Lake Junaluska has spent an approximate total of \$5,113,006 over the past 100 years on the water and sewer system, including the installation of water meters.

All of these estimates do not include the cost of our reservoir or our pump station. The Liberty Road Pump station was built in 2005 at a cost of \$50,000 and is in very good shape. Our reservoir holds 230,000 gallons and was built in the 1960's. In 2004 the reservoir was inspected and repaired at a cost of \$20,000. The cost to replace the reservoir would be close to one million dollars today and probably cost around \$125,000 in the 1960's. The Tri-Vista sewer lift-station was constructed when the Condominiums were built in the seventies. The 2010 snowstorm severely damaged the lift-station. All of the controls and grinder pumps were replaced in 2011. If built new today, the lift station would cost approximately \$45,000. As stated earlier, the pump station, reservoir and lift station are not included in the CIP because they are not considered to be in need of repair in the next ten years.

One financial positive is that there is currently no debt associated with our water and sewer systems. We do have a line of credit of \$50,000 established for emergency repairs, but at the present time, there is no debt. Staff at the Environmental Finance Center at UNC's School of Government has compiled financial information from all NC utilities. Their Leverage Indicator measures NC utilities' Debt to Equity ratio. This indicator is used by funders and bond rating agencies to evaluate the risk of providing financing to utilities. A utility with a ratio greater than 1.0 has more long term debt than equity in the system's assets. Among North Carolina's 422 utilities included in the survey for 2011, 93% have a ratio lower than .6. There is no statewide average in the information; however, the Assembly would have a ratio of 0.0 which is unheard of. Peer municipalities to Lake Junaluska, of similar size and geographic location, typically have an average long term debt of around \$2,000,000 for water and sewer related expenses. While it might be possible for APW to finance the CIP with long term debt, it would likely require The Lake Junaluska Assembly Board of Directors to leverage Conference Center Property to secure the loan.

Summary

This report and the Water and Sewer Capital Improvement Plan developed by Cavanaugh and Associates, P.A. were intended to provide information that will help us plan for our future and understand more about our water and sewer systems. Lake Junaluska is not yet at a critical crossroad, but our water and sewer infrastructure is aging and will need repairs, upgrades, and replacement to provide safe drinking water and uninterrupted service, as well as efficient and clean sewer collection. To continue operation of our system without putting in place the funding and planning to carry out these projects soon, will surely force painful and expensive decisions before much longer.

Exhibit 1A

There is no evidence that current or previous Assembly utility management has been negligent or irresponsible. Like many other utilities across the country, maintenance has been deferred in an attempt to be prudent. Patches have been made on old lines instead of replacement projects to keep utility rates low. The quality of the engineering and construction in our infrastructure is impressive. As explained in the first paragraph of this report, parts of our infrastructure are simply approaching the end of its life expectancy.

The Water and Sewer Capital Improvement Plan is just the beginning of a long term commitment to rebuild and maintain our system. It should not be viewed as a onetime fix that will forever restore our system. As we move through this ten year cycle we must plan for the next ten years and beyond.

The water and sewer infrastructure are our community's most valuable asset, our most expensive liability, and provides our most vital quality of life service. However it is only one part of our overall strategic planning process. The studies and reports that are being developed for our community must be taken together to responsibly move Lake Junaluska into our next century.

Phelan
Exhibit 1B

I/



Lake Junaluska

Assembly Public Works

Water and Sewer Capital Improvements Plan 10-Year Outlay

May 1, 2012

Prepared By:

Cavanaugh & Associates, P.A.

Will J. Jernigan, P.E.
Larry Lewison, CPESC
37 Montford Ave.
Asheville, N.C. 28801

CAVANAUGH

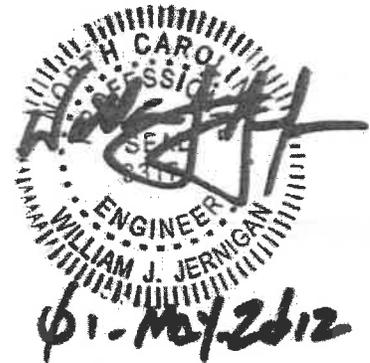


Exhibit 1B

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Background

The Lake Junaluska Assembly (LJA) is located north of Waynesville, N.C. along US Highway 19/23. The oldest portions of LJA's water distribution and wastewater collection system (system) date back to the early 1910's. The newest portions of the system have been installed in the past year. Pipe materials from some of the oldest portions of the system's lines still functioning are considered to be original cast iron and/or vitrified clay pipe. Sections of these lines have been failing over recent years and repairs have been costly. LJA has spent over \$150,000 in water and sewer line replacements over the past 2-3 years. For further background and narrative on the context of this Capital Improvements Plan, the reader is referred to the Assessment and Appraisal document by Buddy Young and Andrew d'Adesky dated Spring 2012.

Objective

Cavanaugh Associates, P.A. was retained to analyze and project the anticipated capital needs in the water and sewer system over a period of the next ten (10) years. The objective of this Capital Improvements Plan (CIP) is to develop a general system inventory consisting of pipe material, age of installation and pipe size based on available mapping and staff interviews. This information will be used to create a schedule of capital needs for identified priorities in the system. The CIP does not involve field investigation or field survey. Based on the value of the needs identified, the CIP will assist LJA in the evaluation of the options presented in the Preliminary Report on the Municipal Status of Lake Junaluska.

Method

The following methodology was employed in completing this Capital Improvements Plan:

1. Cavanaugh performed staff interviews and mapping reviews to develop a general system inventory. This information was evaluated to identify pipe material, age of installation, pipe diameter and in some cases water system pressure.
2. Cavanaugh met with LJA's staff to determine an order of prioritization of the needs identified. Consideration of service criticality, pipe age and history of repairs were used as the basis for developing a high, mid and low priority system for the replacements identified.
3. Cavanaugh collected costing data from local contractors to apply in performing a valuation of the replacements. The linear foot price noted in the table reflects a typical road shoulder type installation with no asphalt repair and minimal restoration costs. A lump sum value was established for other ancillary costs (assumed at 10% of utility installation costs and categorized as General Conditions & Sitework) associated such as testing, erosion control, traffic control and minor surface restoration. A per lineal foot cost was also applied for asphalt repair (assumed 50% of replacement footage) for the case where replacements are immediately adjacent or under a paved surface and would require asphalt or concrete pavement repair. Consideration of new pavement overlap should be directed towards paving study by LJA called the "Strategic Paving Survey", posted in the spring of 2011. Coordination of new pavement projects and capital replacement installations will be directed by LJA.
4. An annual escalation factor of 5% was applied for future material and installation costs.

- Based on the information collected, Cavanaugh created a valuation matrix to assess the prioritized needs over the next ten years.

10-Year Capital Outlay:

Exhibit 1B

Table 1 – Water System Capital Outlay

Escalation Factor (5%)	Base Unit Cost	QTY	High Priority		QTY	Mid Priority		QTY	Low Priority	
			Year 1-3 \$/Unit	Total		Year 4-7 \$/Unit	Total		Year 8-10 \$/Unit	Total
2" Replacement (LF)	\$14.00	10,675	\$14.70	\$156,923	3,800	\$17.44	\$66,281		\$20.68	
4" Replacement (LF)	\$20.00		\$21.00		1,500	\$24.92	\$37,377	1,860	\$29.55	\$54,962
6" Replacement (LF)	\$27.00	3,285	\$28.35	\$93,130	3,075	\$33.64	\$103,440	625	\$39.89	\$24,932
Fire Hydrant Replace (EA)	\$2,400.00	2	\$2,520.00	\$5,040	2	\$3,000	\$6,000	1	\$3,500	\$3,500
Valve Replacement (EA)	\$800.00	2	\$840.00	\$1,680	2	\$900	\$1,800	1	\$1,000	\$1,000
Air Release Valves (EA)	\$2,300.00	1	\$2,415.00	\$2,415	1	\$2,300	\$2,300	1	\$2,300	\$2,300
Subtotal Utility Installation				\$259,187			\$217,937			\$88,019
Gen Conditions & Sitework (LS) (10% of Utility Installation)				\$25,919			\$21,794			\$8,802
Asphalt Repair (LF)	\$16.67	6,980	\$17.50	\$122,174	4,188	\$20.77	\$86,970	1,243	\$24.63	\$30,602
Water System Mapping & Valve Inventory (LS)				\$50,000						
Subtotal				\$457,280			\$326,701			\$127,423
Contingency (15%)				\$68,592			\$49,005			\$19,113
Engineering/Admin (15%)				\$68,592			\$49,005			\$19,113
Total Water Capital Outlay by Priority Tier				\$594,465			\$424,712			\$165,650
Total Water Capital Outlay	\$ 1,184,826									

The attached water exhibit depicts general locations, pipe diameters and priority tiers of the water system improvements indicated in the above table.

Exhibit 1B

Table 2 – Sewer System Capital Outlay

Escalation Factor (5%)	Base Unit Cost	QTY	High Priority		Mid Priority		Low Priority		
			Year 1-3 \$/Unit	Total	Year 4-7 \$/Unit	Total	Year 8-10 \$/Unit	Total	
6" Replacement (LF)	\$18.00	3,240	\$18.90	\$61,236	3,030	\$22.43	\$67,951	\$26.59	
8" Replacement (LF)	\$34.00	1,600	\$35.70	\$57,120	1,415	\$42.36	\$59,940	\$50.23	\$8,791
New Manholes (EA)	\$2,400.00	6	\$2,520.00	\$15,120	4	\$2,989.20	\$11,957	\$3,545.88	\$7,092
New Cleanouts (EA)	\$100.00	40	\$105.00	\$4,200	35	\$124.55	\$4,359	\$147.75	
Subtotal Utility Installation				\$137,676			\$144,207		\$15,883
General Conditions & Sitework (LS) (10% of Utility Installation)				\$13,768			\$14,421		\$1,588
Asphalt Repair (LF)	\$16.67	2,420	\$17.50	\$42,358	2,222.50	\$20.76	\$46,145	\$20.76	\$1,817
Sewer System Mapping & MH Inventory (LS)				\$35,000					
Subtotal				\$228,802			\$204,772		\$19,288
Contingency (15%)				\$34,320			\$30,716		\$2,893
Engineering/Admin (15%)				\$34,320			\$30,716		\$2,893
Total Sewer Capital Outlay by Priority Tier				\$297,443			\$266,204		\$25,074
Total Sewer Capital Outlay	\$ 588,720								

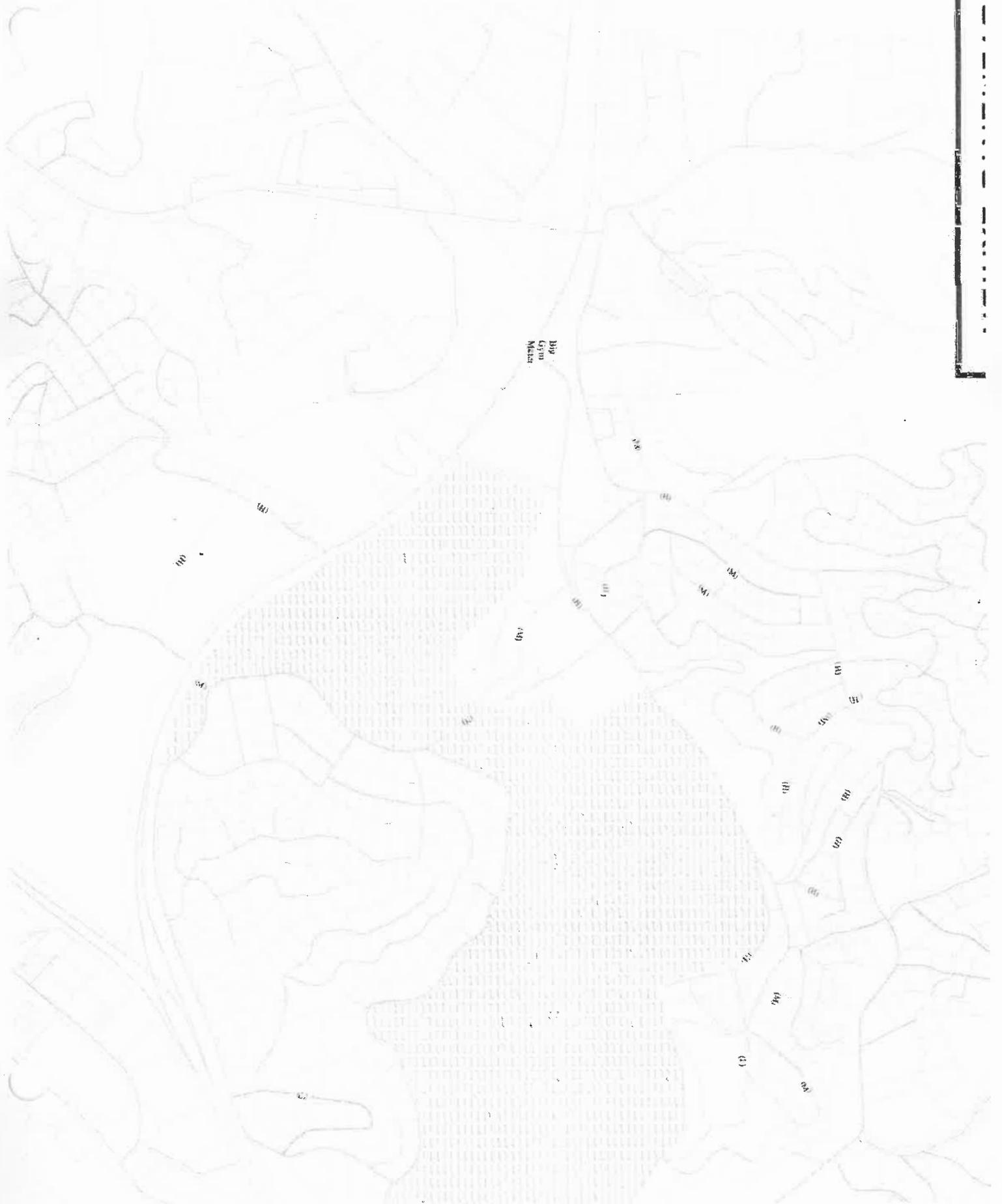
The attached sewer exhibit depicts general locations, pipe diameters and priority tiers of the sewer system improvements indicated in the above table.

Summary:

Total 10-year Capital Outlay for the LJA water and sewer system is estimated at \$1,773,546. The water and sewer replacements indicated in the tables above and the associated replacement costs are based on a general conditions inventory that includes age of material, material type, pipe size, history of repairs and system pressure. Prioritization was determined based on criticality, age of materials and history of repairs. As demonstrated in the table above the water line replacement costs are considerably higher than the sewer replacements. Generally, water lines made of cast iron (as are most of the original lines in the system) are more likely to deteriorate or fail over time especially when subjected to higher pressures, similar to those found in most areas of the LJA water system.

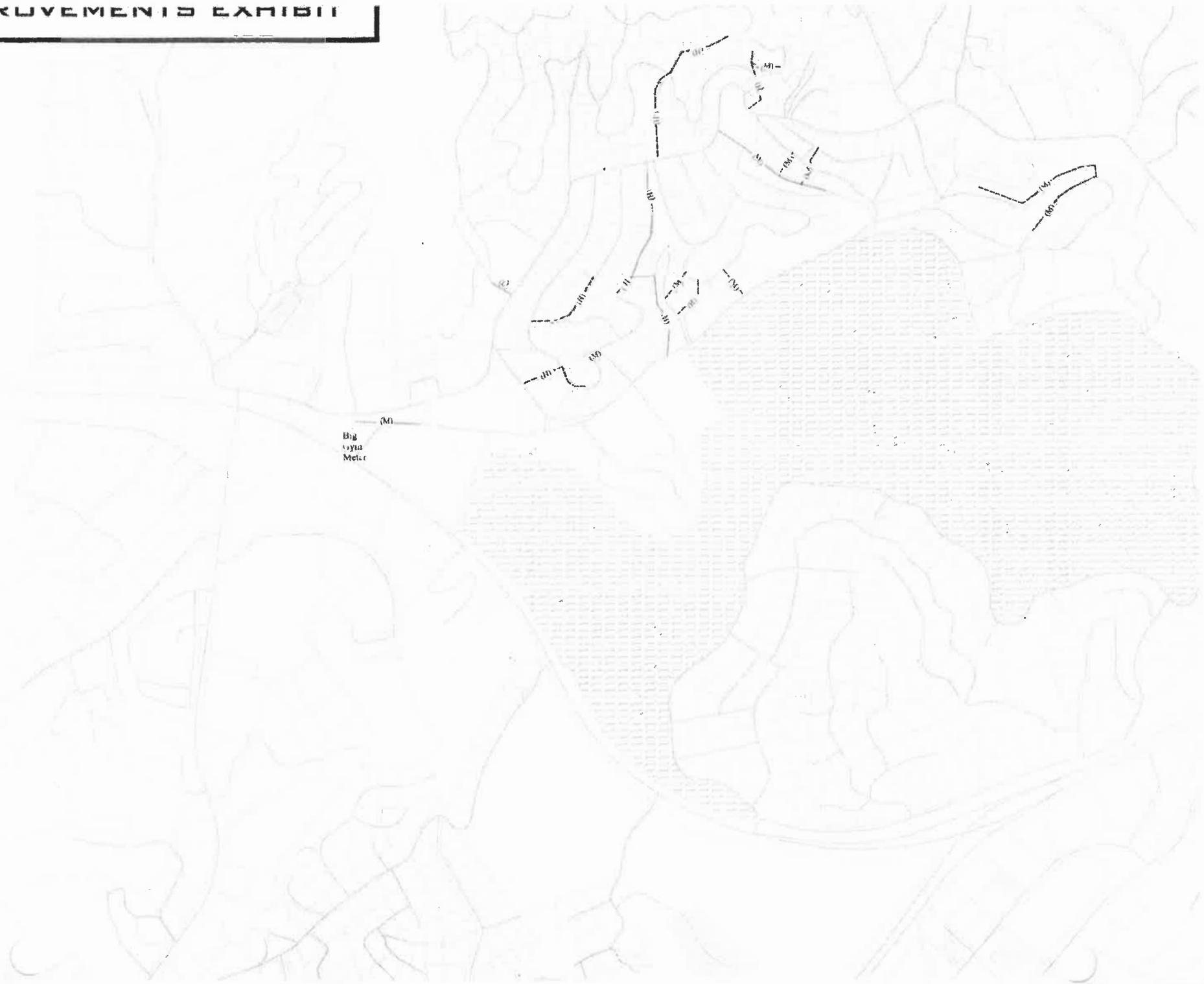
The replacements/improvements referenced in this report are, by necessity, generalized; more finite mapping and design is required to properly quantify and implement the replacements. This report is intended to provide a general understanding of the 10-year Capital Outlay for LJA as they evaluate long term options regarding ownership and management of the water and sewer system. For further background and narrative on the context of this Capital Improvements Plan, the reader is referred to the Assessment and Appraisal document by Buddy Young and Andrew d'Adesy dated Spring 2012.

Exhibit 1B



IMPROVEMENTS EXHIBIT

Exhibit 1B



News cick on [February Lake Views and News](#) (.pdf).

THE JUNALUSKA ASSEMBLY COMMUNITY COUNCIL

Members are Bill King, representing The Shackford District, Jeannette Shaver-Lambuth, Pat Koonts-Utah Mountain, David Baxter-Richland, Ken "a-South Lakeshore, and Jimmy Pernnell and Oscae Dowdle, At-Large. The Community Council meets the first Tuesday of each month in Bethea Welcome Center. Bill King is Chair and Pat Koonts is Vice Chair.

STRATEGIC MASTER PLANS

As part of an overall campus strategic plan, Lake Junaluska Assembly Public Works has developed several strategic studies. One study looks into our municipal options. The Junaluska Assembly Community Council has created a Municipal Study Task force to gather community input on the Municipal Study. The first meeting was held April 26; and nine meetings have been held since. Numerous reports have been developed in support of the Municipal Study. All reports, minutes and presentations from the meetings are available. [Click Here](#)

On March 8 the Lake Junaluska Assembly Board of Trustees voted to request that the Town of Waynesville approve extension of corporate limits to include the area known as Lake Junaluska. On March 15 Senator Davis introduced Senate Bill 290: Annexation of Lake Junaluska by the Town of Waynesville. The bill passed through the Senate but action was not completed on the bill in the House. The Bill will be considered in the 2014 short session next spring.

Dear Friends,

The Lake Junaluska Assembly Board of Directors (the Board) has just completed their fall meeting and has affirmed several recommendations from the Junaluska Assembly Community Council (the Council) that merit your immediate attention. The Council held two well attended meetings in August and September that focused on the Assembly Public Works budget and fees. The minutes and handouts provide additional details and are available at our website: www.lakejunaluskacommunity.com.

The fact that much of our infrastructure and equipment is approaching the end of its useful life and is in need of repair or replacement has been addressed extensively in our Municipal Studies and Council meetings. The information is available at our website. It is the opinion of our Board, our Council and the property owners as indicated in the survey conducted last winter that annexation into Waynesville is the desired path to address these issues. However, due to political complications, annexation will take longer to accomplish than anticipated. Therefore the Council recommended and the Board approved moving forward with capital improvements.

The water and sewer service is our most costly and vital service. Two capital improvement plans were developed with different emphases. The Cavanaugh Plan focuses on water loss and only identifies our most critical priorities. It estimated those improvements will cost approximately \$180,000 per year for the next ten years. The Martin-McGill study was much broader, and based on the standards of Waynesville. It estimates costs to be approximately \$563,000 per year for ten years. The Council recommended implementation of the Cavanaugh study. Our rates are based on formulas established by the NC Utility Commission who has reviewed our new rates. Water and sewer base rates fund operations and improvements and are charged to every customer regardless of usage. Beginning November 1, 2013, the base rate for water will increase from \$8.65 to \$21.80; base rates for sewer will increase from \$8.25 to \$15.26. Usage rates will be increased by 5% to cover the cost of our increasing water loss.

Our solid waste department is in deficit for this fiscal year. Changes at Haywood County Solid Waste have forced us to haul our garbage much further and have increased our expenses for labor, fuel and equipment. The Council recommended a rate increase of \$3.00 per month which should bring those finances into balance and fund critically needed equipment. Brush and leaf pickup is major expense in solid waste and is addressed in an enclosed pamphlet. Landscaping contractors are responsible for hauling major cleanups, but many take advantage of our pick up service. Please share the pamphlet with your contractor and let them know that I will be happy to speak with them.

To implement our paving and equipment studies fully and to fund changes in security and administration, annual service charges will be increased from \$0.33 per \$100 property value to \$0.3525 in 2014. The service charge bills that will be mailed on December 2013 will be at current rate of the \$0.33; new rates take effect January 1, 2014 and will be billed December 2014. It is very likely that Fire Protection fees will be transferred from our monthly utility bill to our County tax bill in July 2014. The new rates will be based on property values at a rate of \$0.06 per \$100 value. This change affects a greater area of the county than just the Assembly.

The software that we use to automatically pay monthly bills is changing (not at our request). Because it is a secure system managed by our bank, we do not keep any hard copy credit card information in our office. Therefore we will not be able to access the current credit card information to load into the new system. If you would like to continue to use your credit or debit card or sign up for automatic payment after November 1, you must update your information with our office. You may fill out a form that is available on our website and mail it in, call our office or come by, download [Credit Card Info Form](#) (.pdf). We will load the information in a secure site and destroy hard copy records immediately.

I know that this letter is not the uplifting message that we normally enjoy sharing; however it reflects the reality of our situation. We will continue to serve this community to the best of our ability and to pursue future courses that will allow us to build a sustainable future for Lake Junaluska. We have much to be thankful for during the upcoming holiday season.

re on recycling, download [Recycling Form](#) (.pdf)

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LAKE JUNALUSKA COMMUNITY

LAKE JUNALUSKA COMMUNITY PLANS DISCOVER

Current News

A group of property owners has been working with Assembly Public Works to develop and circulate two petitions in support of annexation of Lake Junaluska into the Town of Waynesville. One petition is for registered voters and another for property owners. The petitions were mailed in the week of November 14. If you have not received a petition, or misplaced yours please contact us at 828-452-5911.

IMPORTANT RATE INFORMATION

On Tuesday October 22 Assembly Public Works mailed important information concerning rates and other charges affecting the community. The text of the letter is at the bottom of this page.

LEAF VACUUM INFORMATION

The Leaf Crew will continue working through April.

Assembly Public Works offers automatic credit card or debit card monthly utility bill payment. The software that we use to automatically pay monthly bills is changing (not at our request). Because it is a secure system managed by our bank, we do not keep any hard copy credit card information in our office. Therefore we will not be able to access the current credit card information to load into the new system. If you would like to continue or to sign up to use your credit or debit card or sign up for automatic payment after November 1, you must update your information with our office. You may fill out a form that is available and mail it in, call our office, or come by or download [Credit Card Info](#) [m/ pdf](#). We will load the information in a secure site and destroy hard copy records immediately.

THE LAKE VIEWS AND NEWS

Contains the most up to date information about all of the happenings at The Assembly. For the most current edition of The Lake Views and

JUNE 2017

ASSEMBLY PUBLIC WORKS

DIRECTOR'S REPORT

Good afternoon, Council.

I'd like to begin my report today with letting you know of a follow-up action to Chuck's report. We are ordering water meters to complete Phase 2 of the water meter replacement project. When this phase is completed, all customers north of County Road and south of U.S. 19 will have their meters replaced.

Today's report will focus on an important topic that will move us ahead for the future: changes to the Public Works budget.

Recall that we have no meeting in July. Therefore we have 3 meetings coming up to work through the rate-recommending and rate-setting process for 2018. This includes operational and capital dollars designated to renew and refurbish our aged-out system.

I am now in the middle of my second full budget. When I arrived in the fall of 2014, the 2015 budget was completed and I began my learning process with the budget path already established. The next two budgets – for 2016 and 2017 – were budgets I created. That has given me opportunity to see where improvements are needed.

In the same way that we have continued to enact changes to improve operations, I have been seeking opportunities to improve the budget. Simply stated, the budget ought to reflect with precision the expenditures of resources employed in each area of Public Works. For example, expenses associated with a water leak ought to be reflected in the water and sewer budget.

Let me give you a couple of obvious examples of what we're fixing: Clay is primarily a Solid Waste employee. However, Clay continues to learn and increase his value to the operation. He now takes after-hours calls, the vast majority of which are related to water and sewer issues, a separate fund that should be paying for his time when he is doing water or sewer duties. Instead, that water/sewer time has been paid out of the Solid Waste fund.

Similarly, Brian and Goob both react to water and sewer issues regularly. Yet they are Streets employees, paid out of Service Charges revenues.

And, more than half of my time, Jenna's time and Bob's time deals with water and sewer administration, taking payments, processing bills, dealing with customer requests, plus the administrative expenses associated with the operational areas we support. Yet, our time has been completely charged to Service Charges.

So here's what we've done, effective July 1: we've made internal changes to our systems to more accurately reflect the work of our operation. Here are a few examples:

Exhibit 3A

- Our call-out program, which except for a few weather events deals exclusively with water and sewer issues, will be funded by the water and sewer fund.
- We've gone through our roster of employees and re-allocated expenses associated with that position based on the areas they support. An example is Brian. He's a B-level state licensed water distribution systems operator who is frequently in the mud hole during a water or sewer leak. Half of his time will be allocated to the water and sewer fund, whereas he was totally funded before by Roads, one of the areas supported by Service Charges.

Here's another change recently made: To further distinguish water/sewer expenses and revenues, a dedicated checking account has been established for that fund.

What are the impacts of these changes?

- The reality of how we expend our resources will be more accurately reflected in our financial documents. In the old Sears category of describing what we've had, we are going from "good" to "better". And, over time, we'll continue to tweak our systems into the "best" category. But it's an iterative process.
- Putting more water/sewer expenses into that budget will impact the dollars we'll have available for renewal and refurbishment of our water and sewer system. We'll be discussing the impact of that during our August rate-setting discussions.
- These changes will also create more dollars available for expenses associated with Service Charges. We'll be discussing the impact of that during our August rate-setting discussions.

I look forward to walking through the 2018 rate-recommending and rate-setting process with you.

Four More Quick Notes

1. Recall that we have a Public Forum on Saturday June 24, sponsored by the Lake Junaluska Board of Trustees, the Lake Junaluska Assembly Property Owners Organization and this Community Council. The topic is the vehicular and pedestrian bridge over the dam and a recommendation by the Trustees Bridge Task Force. The forum is at 10 a.m. in Kern 100.
2. This month's water bill will be the last time a Fire Service charge of \$8 will be on the bill. Billing for fire service at a rate based on property values has been assumed by the Haywood County tax collector and will show up on annual Haywood County property tax bills.
3. We have been pursuing collections of past due Service Charges. On March 17, the amount of past due Service Charges was \$169,752. After phone calls and letters and lots of emotions, we have collected around \$68,000 and the total as of June 2 was \$101,774.
4. Security activity for April and May that resulted in a written report consisted of 38 call-outs: 19 were calls from residents to an LJA address, 11 were calls to a public access area and 8 were call-outs from the Conference Center. They ranged from medical assistance, domestic disturbances, property damage to suspicious activity, a dog attack and vehicle accidents. One more Security note: Our Chief of Security, Chris Moody, was recently promoted to Captain at the Haywood

Exhibit 3A

County Sheriff's Office, where his duties include supervision of our Lake Junaluska Assembly community.

Respectfully submitted,

Jack Carlisle, Director

From: Dan Higgins dhiggins@bdppa.com
Subject: NCUC Docket W-1274, Sub 7
Date: Dec 9, 2019 at 4:49:53 PM
To: timfphe@icloud.com

Mr. Phelan:

Attached find the responses of Lake Junaluska Assembly, Incorporated (LJA) to your data requests, with attachments, as well as your service copies of the direct testimony filed with the Utilities Commission on behalf of LJA this afternoon.

Please confirm your receipt of this email.

Thank you.

Daniel C. Higgins

Burns, Day & Presnell, P.A.



BURNS,
DAY &
PRESNELL, P.A.

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BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1274, Sub 7

In the Matter of)
Application of Lake Junaluska Assembly, Inc.)
for a Certificate of Public Convenience)
And Necessity, and for Approval of Rates)

Responses of Lake Junaluska Assembly, Inc. to
Timothy F. Phelan Data Request No. 1

Lake Junaluska Assembly ("LJA") notes at the outset that the North Carolina Utilities Commission ("NCUC") has not authorized the service of data requests in this docket, and thus has not established any procedure or schedules for such.

Subject to and without waiving any rights or objections, in a good faith effort to cooperate LJA provides the information described below.

1. Please provide a copy of certified audit completed for Lake Junaluska Assembly Water and Sewer utility service that's required prior to the North Carolina Utilities Commission establishing a complete Schedule of Rates.

Response: LJA is aware of no such requirement. The Assembly does not separately audit its water and sewer operations. See Exhibit E to the Application filed by LJA in this docket.

2. Please provide a copy of the 10 year Water and Sewer Capital Improvement Plan; to include date of approval and by whom.

Response: The Lake Junaluska Assembly's Public Works "Water and Sewer Capital Improvement Plan 10-Year Outlay" ("10-Year Plan") is and has been available on LJA's website via this link:

https://www.lakejunaluska.com/jdownloads/CIP_Final.pdf

Decisions regarding implementation of various aspects of the work recommended in the 10-Year Plan were made by the Director of Assembly Public Works in collaboration with the Operator in Responsible Charge. The Junaluska Assembly Community Council and the Board of Trustees are briefed in the fall of each year on capital spending on the water and sewer systems planned for the upcoming year.

3. Please provide a complete list of projects identified in the 10-Year Plan by priority (high, medium, and low) and estimated cost to complete respective projects.

Response: See the 10-Year Plan via the link provided above for projects and

Exhibit 4A

cost estimates as identified and estimated as of May 1, 2012. The prioritization of projects has generally been as recommended in the 10-Year Plan, while taking into consideration other water and sewer situations requiring attention that have arisen during the period since then, has been determined by the Director of Assembly Public Works in collaboration with the Operator in Responsible Charge.

4. Please provide a copy of the provision in the 10-Year Plan authorizing the installation of Radio Read Meters.

Response: The 10-Year Plan does not "authorize" any specific work; it reflects the findings and recommendations of Cavanaugh and Associates, PA as of May 1, 2012. LJA has installed radio read meters over the past two plus years in an effort to reduce water losses by assisting with leak detection, provide more accurate usage data, and to improve customer service.

5. Please provide a copy of base rate for water and sewer as of October 1, 2013.

Response: As of October 1, 2013, the base rates for water and sewer were:
Water: \$8.65
Sewer: \$8.25

6. Provide a copy of the base rate for water and sewer as of November 1, 2013. Identify the amount of base rate increase for water and sewer intended to provide funds for Capital Improvement Plan.

Response: As of November 1, 2013, the base rates for water and sewer were:
Water: \$21.80
Sewer: \$15.26
Current Assembly management personnel were not involved in setting those rates, but believe that the amount of the difference between these base rates and the base rates identified in the response to Item 5 was intended to provide funding for work on LJA's water and sewer systems, including work identified in the 10-Year Plan.

7. Please provide Water and Sewer Usage rates for years 2013 - 2018. Identify the markup for water loss in addition to the rate paid to Town of Waynesville.

Response: LJA does not maintain data on gallons of water and sewer usage for which it was billed by Waynesville over these years in any readily retrievable fashion, and LJA objects to this request as it seeks information which is irrelevant to any issue legitimately presented in this docket, is not reasonably calculated to lead to the discovery of relevant evidence, and that compliance with this request would be unduly burdensome.

Subject to and without waiving the foregoing objections, LJA states that since November of 2013 the rates for water and sewer service have typically been

Exhibit 4A

increased each year to pass through any price increase from Waynesville. In some years, LJA has also made a modest cost-of-living adjustment to these rates. Except for the pass through of the Waynesville's July 2019 10% increase in its bulk sewer service rate, as approved by the NCUC, LJA has not adjusted its usage rates for water or sewer service since 2017, at which time the usage rates were set as follows:

Water: \$4.37 per 1,000 gallons
\$3.27 per 100 cubic feet
Sewer: \$5.33 per 1,000 gallons
\$3.99 per 100 cubic feet

LJA's current usage rates are as follows:

Water: \$4.37 per 1,000 gallons
\$3.27 per 100 cubic feet
Sewer: \$5.74 per 1,000 gallons
\$4.30 per 100 cubic feet

With regard to unaccounted for water losses, LJA effectively continued the approach recommended by the Public Staff and used by the NCUC in setting rates for LJA in 2008 by attempting to hold unaccounted water losses below 25%.

8. Please provide the number of customers for water and sewer as of November 1, 2019.

Response: As of November 26, 2019, LJA served 871 water customers and 832 sewer customers.

9. Please provide calculation that demonstrates the assessments listed in attachment #1A for water and sewer will provide sufficient capital to fund continuation of work called for in the 10-Year Plan.

Response: See Attachment 3A to LJA's Application filed with the NCUC on September 28, 2018.

10. As of November 1, 2013, the estimated cost of operations was approximately \$150,000, excluding the cost of water paid to the Town of Waynesville. The estimated cost of operations listed in the adjusted budget Attachments #2A and #2B is \$362,430, excluding cost of water paid to the Town of Waynesville. Please provide calculations to substantiate the 142.5% increase in operations cost in the five year period since November 1, 2013.

Response: Operating costs were adjusted in mid-2017 in order to accurately reflect the cost of providing water and sewer service. LJA was advised that its rates were not capturing the cost of all of the management, administrative and operations personnel supporting the water and sewer operations, and the increase is a function

Exhibit 4A

of the allocation of a portion of the costs of those personnel to the water and sewer operations. Any rate setting comparison based on 2013 cost allocations would be inaccurate. See Attachments 1 and 2, which are, respectively, the Labor Allocation and related June 2017 Report from the Director of Assembly Public Works to the Junaluska Assembly Community Counsel.

11. Please provide a copy of the bank account established for Water and Sewer receipts and expenditures.

Response: LJA objects to this request as it seeks information which is irrelevant to any issue legitimately presented in this docket, is not reasonably calculated to lead to the discovery of relevant evidence, and that compliance with this request would be unduly burdensome.

Subject to and without waiving the foregoing objections, LJA established a separate bank account for water and sewer receipts and expenditures in June of 2017. See Attachment 3, which is a letter from Wells Fargo.

I/A

Lake Junaluska Assembly, Incorporated
Docket No. W-1274, Sub 7
Test Year Ending December 31, 2018

Casselberry
Exhibit No. 1

OFFICIAL COPY

WATER RATES AND CHARGES

MONTHLY METERED SERVICE: (Residential and Commercial)

	<u>Present</u>	<u>Proposed</u>	<u>Proposed Assessment Per REU</u>
Base Facilities Charge (zero usage)			
3/4" meter	\$ 22.24	\$ 19.75	\$ 8.14
1" meter	\$ 56.22	\$ 49.38	\$ 20.35
2" meter	\$ 177.28	\$ 158.00	\$ 65.12
3" meter	\$ 321.98	\$ 296.25	\$ 122.10
4" meter	\$ 561.99	\$ 493.75	\$ 203.50
Usage Charge, per 100 cubic feet	\$ 3.27	\$ 3.27	
Usage Charge, per 1000 gallons	\$ 4.37	\$ 4.37	

Dec 20 2019

WATER ONLY RATES AND CHARGES ⁽¹⁾

MONTHLY METERED SERVICE: (Residential and Commercial)

	<u>Present</u>	<u>Proposed</u>	<u>Proposed Assessment Per REU</u>
Base Facilities Charge (zero usage)			
3/4" meter	\$ 22.24	\$ 19.75	\$ 8.14
1" meter	\$ 56.22	\$ 49.38	\$ 20.35
Usage Charge, per 100 cubic feet	\$ 7.06	\$ 7.67	

(1) Since LJA pays Waynesville for sewage treatment based on water consumed, the water only usage rate reflects a combined water and sewer usage rate.

The proposed rates would decrease the average 3/4 inch residential customer's monthly water bill from \$31.43 to \$28.94, based on an average usage of 2.81 ccf or 3,757 gallons; and increase the monthly water bill from \$31.43 to \$37.08, including the proposed monthly rates and assessment.

Lake Junaluska Assembly, Incorporated
Docket No. W-1274, Sub 7
Test Year Ending December 31, 2018

Casselberry
Exhibit No. 2

IIA

OFFICIAL COPY

Dec 20 2019

SEWER RATES AND CHARGES

MONTHLY METERED SERVICE: (Residential and Commercial)

	<u>Present</u>	<u>Proposed</u>	<u>Proposed Assessment Per REU</u>
Base Facilities Charge (zero usage)			
3/4" meter	\$ 15.94	\$ 17.00	\$ 8.14
1" meter	\$ 34.92	\$ 42.50	\$ 20.35
2" meter	\$ 111.68	\$ 136.00	\$ 65.12
3" meter	\$ 230.36	\$ 255.00	\$ 122.10
4" meter	\$ 349.04	\$ 425.00	\$ 203.50
Usage Charge, per 100 cubic feet	\$ 4.30	\$ 4.71	
Usage Charge, per 1000 gallons	\$ 5.74	\$ 6.29	

MONTHLY FLAT RATE SERVICE: (Sewer only)

	<u>Present</u>	<u>Proposed</u>	<u>Proposed Assessment Per REU</u>
Base Facilities Charge (zero usage)			
Residential	\$ 25.91	\$ 29.00	\$ 8.14
Commercial	\$ 25.91	\$ 29.00	\$ 8.14
Restaurant	\$ 161.38	\$ 232.00	\$ 65.12
Mobile Home Park	\$ 351.34	\$ 435.00	\$ 122.10

The proposed rates would increase the average 3/4 inch residential customer's monthly sewer bill from \$27.89 to \$30.09, based on an average usage of 2.78 ccf or 3,717 gallons; and increase the monthly bill from \$27.89 to \$38.23, including the proposed monthly rates and assessment.

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 For the 12 Months Ending December 31, 2018

Casselberry
 Exhibit No. 3

I/A

Public Staff's Revenue at Present Rates

Water

Billing Type	Rate Code	Usage Usage	Usage Rate	Usage Revenue	EOP Customers	EOP x 12 months	Base Charge	Base Charge Revenue	Total Revenue
3/4" Residential Metered	W01	2,547,069	3.27	83,289	763	9,156	22.24	203,629	286,919
3/4" Residential water only (1)	W08	125,047	7.06	8,828	31	372	22.24	8,273	17,102
3/4" Residential irrigation only	W09	44,922	7.06	3,171	30	360	22.24	8,006	11,178
Total Residential		2,717,038		95,289	824	9,888		219,909	315,198
3/4" Commercial Metered	W00	545,871	3.27	17,850	16	192	22.24	4,270	22,120
1" Commercial Metered	W02	202,306	3.27	6,615	14	168	56.22	9,445	16,060
2" Commercial Metered	W03	343,570	3.27	11,235	6	72	177.28	12,764	23,999
3" Commercial Metered	W04	130,140	3.27	4,256	1	12	321.98	3,864	8,119
4" Commercial Metered	W05	505,180	3.27	16,519	3	36	561.99	20,232	36,751
4" Commercial Metered (2)	W06	65,800	4.37	288	1	12	561.99	6,744	7,031
1" Commercial Metered Irrig.	W07	3,786	7.06	267	2	24	56.22	1,349	1,617
Total Commercial Metered		1,796,653		57,030	43	516		58,668	115,698
Total		4,513,691		152,319	867	10,404		278,577	430,896

Notes

- (1) Since LJA pays Waynesville for sewage treatment based on water consumed, the water only rate reflects a combined water and sewer rate.
- (2) Usage rate per 1,000 gallons

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 For the 12 Months Ending December 31, 2018

Casselberry
 Exhibit No. 4

I/A

Public Staff's Revenue at Proposed Rates

Water

Billing Type	Rate Code	Usage Usage	Usage Rate	Usage Revenue	EOP Customers	EOP x 12 months	Base Charge	Base Charge Revenue	Total Revenue
3/4" Residential Metered	W01	2,547,069	3.27	83,289	763	9,156	19.75	180,831	264,120
3/4" Residential water only	W08	125,047	7.67	9,591	31	372	19.75	7,347	16,938
3/4" Residential irrigation only (1)	W09	44,922	7.67	3,446	30	360	19.75	7,110	10,556
Total Residential		2,717,038		96,326	824	9,888		195,288	291,614
3/4" Commercial Metered	W00	545,871	3.27	17,850	16	192	19.75	3,792	21,642
1" Commercial Metered	W02	202,306	3.27	6,615	14	168	49.38	8,295	14,910
2" Commercial Metered	W03	343,570	3.27	11,235	6	72	158.00	11,376	22,611
3" Commercial Metered	W04	130,140	3.27	4,256	1	12	296.25	3,555	7,811
4" Commercial Metered	W05	505,180	3.27	16,519	3	36	493.75	17,775	34,294
4" Commercial Metered (2)	W06	65,800	4.37	288	1	12	493.75	5,925	6,213
1" Commercial Metered Irr	W07	3,786	7.67	290	2	24	49.38	1,185	1,475
Total Commercial Metered		1,796,653		57,053	43	516		51,903	108,956
Total		4,513,691		153,379	867	10,404		247,191	400,570

Notes

- (1) Since LJA pays Waynesville for sewage treatment based on water consumed, the water only rate reflects a combined water and sewer rate.
- (2) Usage rate per 1,000 gallons

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 For the 12 Months Ending December 31, 2018

Casselberry
 Exhibit No. 5

I/A

Public Staff's Revenue at Present Rates

Sewer

Billing Type	Rate Code	Usage Usage	Usage Rate	Usage Revenue	EOP Customers	EOP x 12 months	Base Charge	Base Charge Revenue	Total Revenue
Flat Rate Sewer only	SE1	-	-	-	25	300	25.91	7,773	7,773
3/4" Residential Metered	S01	2,547,069	4.30	109,524	763	9,156	15.94	145,947	255,471
Total Residential		2,547,069		109,524	788	9,456		153,720	263,244
3/4" Commercial Metered	S00	545,871	4.30	23,472	16	192	15.94	3,060	26,533
1" Commercial Metered	S02	202,306	4.30	8,699	14	168	34.92	5,867	14,566
2" Commercial Metered	S03	343,570	4.30	14,774	6	72	111.68	8,041	22,814
3" Commercial Metered	S04	130,140	4.30	5,596	1	12	230.36	2,764	8,360
4" Commercial Metered	S05	505,180	4.30	21,723	3	36	349.04	12,565	34,288
4" Commercial Metered (1)	S06	65,800	5.74	378	1	12	349.04	4,188	4,566
Total Commercial Metered		1,792,867		74,642	41	492		36,486	111,128
Flat Rate Commercial									
Sewer only Commercial	SE2	-	-	-	2	24	25.91	622	622
Sewer only Restaurant	SE3	-	-	-	1	12	161.38	1,937	1,937
Sewer only MHP	SE4	-	-	-	1	12	351.34	4,216	4,216
Total		4,339,936		184,166	833	9,996		196,980	381,146

Notes

(1) Usage rate per 1,000 gallons

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 For the 12 Months Ending December 31, 2018

Casselberry
 Exhibit No. 6

I/A

Public Staff's Revenue at Proposed Rates

Sewer

Billing Type	Rate Code	Usage Usage	Usage Rate	Usage Revenue	EOP Customers	EOP x 12 months	Base Charge	Base Charge Revenue	Total Revenue
Flat Rate Sewer only	SE1	-	-	-	25	300	29.00	8,700	8,700
3/4" Residential Metered	S01	2,547,069	4.71	119,967	763	9,156	17.00	155,652	275,619
Total Residential		2,547,069		119,967	788	9,456		164,352	284,319
3/4" Commercial Metered	S00	545,871	4.71	25,711	16	192	17.00	3,264	28,975
1" Commercial Metered	S02	202,306	4.71	9,529	14	168	42.50	7,140	16,669
2" Commercial Metered	S03	343,570	4.71	16,182	6	72	136.00	9,792	25,974
3" Commercial Metered	S04	130,140	4.71	6,130	1	12	255.00	3,060	9,190
4" Commercial Metered	S05	505,180	4.71	23,794	3	36	425.00	15,300	39,094
4" Commercial Metered (1)	S06	65,800	6.29	414	1	12	425.00	5,100	5,514
Total Commercial Metered		1,792,867		81,759	41	492		43,656	125,415
Flat Rate Commercial									
Sewer only Commercial	SE2	-	-	-	2	24	29.00	696	696
Sewer only Restaurant	SE3	-	-	-	1	12	232.00	2,784	2,784
Sewer only MHP	SE4	-	-	-	1	12	435.00	5,220	5,220
Total		4,339,936		201,726	833	9,996		216,708	418,434

Notes

(1) Usage rate per 1,000 gallons

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 Test Year Ending December 31, 2018

Casselberry
 Exhibit No. 7

I/A

Date	Holston Village #1		Holston Village #2		Big Gym #1		Big Gym #2		LJA Work Shop			
	Usage	Pass Through 3.4078/ccf	Usage	Pass Through 3.4078/ccf	Usage	Pass Through 3.4078/ccf	Usage	Pass Through 3.4078/ccf	Usage	Pass Through 4.30/ccf	Base Rate	total
12/30/2017 - 1/31/2018	387,938	13,220.15	123,123	4,195.79	37,900	1,291.56	15,700	535.02	215	9.25	34.92	44.17
1/31/18 - 2/28/18	271,829	9,263.39	107,886	3,676.54	24,900	848.54	12,500	425.98	225	9.68	34.92	44.60
2/28/18 - 3/30/18	263,903	8,993.29	111,057	3,784.60	24,900	848.54	15,500	528.21	290	12.47	34.92	47.39
3/30/18 - 4/30/18	304,781	10,386.33	118,119	4,025.26	24,700	841.73	14,900	507.76	251	10.79	34.92	45.71
4/30/18 - 5/31/18	342,030	11,655.70	117,590	4,007.23	50,200	1,710.72	28,500	971.22	300	12.90	34.92	47.82
5/31/18 - 6/30/18	445,033	15,165.83	111,713	3,806.96	47,500	1,618.71	34,400	1,172.28	309	13.29	34.92	48.21
6/30/18 - 7/31/18	498,180	16,976.98	116,948	3,985.35	46,800	1,594.85	29,100	991.67	226	9.72	34.92	44.64
7/31/18 - 8/31/18	413,764	14,100.25	115,439	3,933.93	29,800	1,015.52	19,400	661.11	277	11.91	34.92	46.83
8/31/18 - 10/1/18	409,366	13,950.37	116,992	3,986.85	33,500	1,141.61	17,000	579.33	260	11.18	34.92	46.10
10/1/18 - 11/01/18	397,776	13,555.41	118,113	4,025.05	26,500	903.07	22,700	773.57	304	13.07	34.92	47.99
11/1/18 - 11/30/18	311,342	10,609.91	112,113	3,820.59	19,400	661.11	13,900	473.68	208	8.94	34.92	43.86
11/30/18 - 12/31/18	309,188	10,536.51	119,572	4,074.77	20,900	712.23	13,200	449.83	230	9.89	34.92	44.81
Total	4,355,130	148,414.12	1,388,665	47,322.93	387,000	13,188.19	236,800	8,069.67	3,095			552.13

Total Sewer Pass Thro 217,547.03
 M&R Shop (552.13)
 Total Sewer Expense 216,994.90

Reclassified to office and administrative expense:

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 For the 12 Months Ending December 31, 2018

Casselberry
 Exhibit No. 8

EIA

LJA's Proposed Surcharged Revenue

Water	Billing Type	Rate Code	EOP Customers	EOP x 12 months	Proposed Surchage	Total
						Surcharge Revenue
	3/4" Residential Metered	W01	763	9,156	8.14	74,530
	3/4" Residential water only	W08	31	372	8.14	3,028
	3/4" Residential irrigation only	W09	30	360	8.14	2,930
	Total Residential		824	9,888		80,488
	3/4" Commercial Metered	W00	16	192	8.14	1,563
	1" Commercial Metered	W02	14	168	20.35	3,419
	2" Commercial Metered	W03	6	72	65.12	4,689
	3" Commercial Metered	W04	1	12	122.10	1,465
	4" Commercial Metered	W05	3	36	203.50	7,326
	4" Commercial Metered	W06	1	12	203.50	2,442
	1" Commercial Metered Irr.	W07	2	24	20.35	488
	Total Commercial Metered		43	516		21,392
	Total		867	10,404		101,880

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 For the 12 Months Ending December 31, 2018

Casse berry
 Exhibit No. 9

F/A

LJA's Proposed Surcharge Revenue

Sewer	Billing Type	Rate Code	EOP Customers	EOP x 12 months	Proposed Surcharge	Total Surcharge Revenue
	Flat Rate Sewer only	SE1	25	300	8.14	2,442
	3/4" Residential Metered	S01	763	9,156	8.14	74,530
	Total Residential		788	9,456		76,972
	3/4" Commercial Metered	S00	16	192	8.14	1,563
	1" Commercial Metered	S02	14	168	20.35	3,419
	2" Commercial Metered	S03	6	72	65.12	4,689
	3" Commercial Metered	S04	1	12	122.10	1,465
	4" Commercial Metered	S05	3	36	203.50	7,326
	4" Commercial Metered	S06	1	12	203.50	2,442
	Total Commercial Metered		41	492		20,904
	Flat Rate Commercial					
	Sewer only Commercial	SE2	2	24	8.14	195
	Sewer only Restaurant	SE3	1	12	65.12	781
	Sewer only MHP	SE4	1	12	122.10	1,465
	Total		833	9,996		100,317

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 For the 12 Months Ending December 31, 2018

Casselberry
 Exhibit No. 10

I/A

Public Staff's Recommended Rates

Water

Billing Type	Rate Code	Usage Usage	Usage Rate	Usage Revenue	EOP Customers	EOP x 12 months	Base Charge (3)	Base Charge Revenue	Total Revenue
3/4" Residential Metered	W01	2,547,069	2.54	64,696	763	9,156	19.01	174,056	238,751
3/4" Residential water only (1)	W08	125,047	5.95	7,440	31	372	19.01	7,072	14,512
3/4" Residential irrigation only	W09	44,922	5.95	2,673	30	360	19.01	6,844	9,516
Total Residential		2,717,038		74,809	824	9,888		187,971	262,780
3/4" Commercial Metered	W00	545,871	2.54	13,865	16	192	19.01	3,650	17,515
1" Commercial Metered	W02	202,306	2.54	5,139	14	168	47.53	7,984	13,123
2" Commercial Metered	W03	343,570	2.54	8,727	6	72	152.08	10,950	19,676
3" Commercial Metered	W04	130,140	2.54	3,306	1	12	285.15	3,422	6,727
4" Commercial Metered	W05	505,180	2.54	12,832	3	36	475.25	17,109	29,941
4" Commercial Metered (2)	W06	65,800	3.40	224	1	12	475.25	5,703	5,927
1" Commercial Metered Irr.	W07	3,786	5.95	225	2	24	47.53	1,141	1,366
Total Commercial Metered		1,796,653		44,316	43	516		49,958	94,275
Total		4,513,691		119,125	867	10,404		237,929	357,054

Notes

- (1) Since LJA pays Waynesville for sewage treatment based on water consumed, the water only rate reflects a combined water and sewer rate.
- (2) Usage rate per 1,000 gallons
- (3) Monthly base charge - zero consumption

Lake Junaluska Assembly, Incorporated
 Docket No. W-1274, Sub 7
 For the 12 Months Ending December 31, 2018

Casselberry
 Exhibit No. 11



Public Staff's Recommended Rates

Sewer

Billing Type	Rate Code	Usage Usage	Usage Rate	Usage Revenue	EOP Customers	EOP x 12 months	Base Charge (2)	Base Charge Revenue	Total Revenue
Flat Rate Sewer only	SE1	-	-	-	25	300	29.00	8,700	8,700
3/4" Residential Metered	S01	2,547,069	4.71	119,967	763	9,156	17.00	155,652	275,619
Total Residential		2,547,069		119,967	788	9,456		164,352	284,319
3/4" Commercial Metered	S00	545,871	4.71	25,711	16	192	17.00	3,264	28,975
1" Commercial Metered	S02	202,306	4.71	9,529	14	168	42.50	7,140	16,669
2" Commercial Metered	S03	343,570	4.71	16,182	6	72	136.00	9,792	25,974
3" Commercial Metered	S04	130,140	4.71	6,130	1	12	255.00	3,060	9,190
4" Commercial Metered	S05	505,180	4.71	23,794	3	36	425.00	15,300	39,094
4" Commercial Metered (1)	S06	65,800	6.29	414	1	12	425.00	5,100	5,514
Total Commercial Metered		1,792,867		81,759	41	492		43,656	125,415
Flat Rate Commercial									
Sewer only Commercial	SE2	-	-	-	2	24	29.00	696	696
Sewer only Restaurant	SE3	-	-	-	1	12	232.00	2,784	2,784
Sewer only MHP	SE4	-	-	-	1	12	435.00	5,220	5,220
Total		4,339,936		201,726	833	9,996		216,708	418,434

Notes

- (1) Usage rate per 1,000 gallons
- (2) Monthly base charge - zero consumption

IIA

INDEX TO CHIU EXHIBIT I

LINE NO.	TITLE	SCHEDULE NO.
1.	MARGIN ON OPERATING REVENUE DEDUCTIONS REQUIRING A RETURN - WATER OPERATIONS	1(a)
2.	MARGIN ON OPERATING REVENUE DEDUCTIONS REQUIRING A RETURN - SEWER OPERATIONS	1(b)
3.	ORIGINAL COST RATE BASE - WATER OPERATIONS	2(a)
4.	ORIGINAL COST RATE BASE - SEWER OPERATIONS	2(b)
5.	NET OPERATING INCOME FOR A RETURN - WATER OPERATIONS	3(a) Page 1
6.	FOOTNOTES TO SCHEDULE 3(a) - WATER OPERATIONS	3(a) Page 2
7.	NET OPERATING INCOME FOR A RETURN - SEWER OPERATIONS	3(b) Page 1
8.	FOOTNOTES TO SCHEDULE 3(b) - SEWER OPERATIONS	3(b) Page 2
9.	CALCULATION OF OPERATING RATIOS - WATER OPERATIONS	4(a)
10.	CALCULATION OF OPERATING RATIOS - SEWER OPERATIONS	4(b)

OFFICIAL COPY

Dec 20 2019

Lake Junaluska, INC.
Docket No. W-1274, Sub 7
**MARGIN ON OPERATING REVENUE DEDUCTIONS
REQUIRING A RETURN**
For the Test Year Ended December 31, 2018

Public Staff
Chiu Exhibit I
Schedule 1(a)

Water Operations

<u>Line No.</u>	<u>Item</u>	<u>Present Rates (a)</u>	<u>Company Proposed Rates (b)</u>	<u>Public Staff Recommended Rates (c)</u>
1.	Net operating income for a return	\$98,694 [1]	\$68,407 [4]	\$24,873 [6]
2.	Operating revenue deductions requiring a return	<u>331,642 [2]</u>	<u>331,642 [5]</u>	<u>331,642 [7]</u>
3.	Return	<u>29.76% [3]</u>	<u>20.63% [3]</u>	<u>7.50% [8]</u>

[1] Chiu Exhibit I, Schedule 3(a), Line 31, Column (c).

[2] Chiu Exhibit I, Schedule 3(a), Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (c).

[3] Line 1 divided by Line 2.

[4] Chiu Exhibit I, Schedule 3(a), Line 31, Column (e).

[5] Chiu Exhibit I, Schedule 3(a), Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (e).

[6] Line 2 x Line 3.

[7] Chiu Exhibit I, Schedule 3(a), Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (g).

[8] Provided by Public Staff Financial Analyst Craig.

Lake Junaluska, INC.
 Docket No. W-1274, Sub 7
ORIGINAL COST RATE BASE
 For the Test Year Ended December 31, 2018

Public Staff
 Chiu Exhibit I
 Schedule 2(a)

Water Operations

<u>Line No.</u>	<u>Item</u>	<u>Per Application (a)</u>	<u>Public Staff Adjustments [1] (b)</u>	<u>After Public Staff Adjustments (c)</u>
1.	Plant in service	\$0	\$0	\$0
2.	Contributions in aid of construction	0	0	0
3.	Accumulated depreciation	0	0	0
4.	Cash working capital	0	20,387	20,387 [2]
5.	Average tax accruals	0	(1,362)	(1,362) [3]
6.	Original cost rate base (Sum of L1 thru L5)	<u>\$0</u>	<u>\$19,025</u>	<u>\$19,025</u>

[1] Column (c) minus Column (a).

[2] Calculated at one-eighth of operating expenses, less purchased water.

[3] Calculated at one-fifth payroll taxes.

Lake Junaluska, INC.
Docket No. W-1274, Sub 7
ORIGINAL COST RATE BASE
For the Test Year Ended December 31, 2018

Public Staff
Chiu Exhibit I
Schedule 2(b)

Sewer Operations

<u>Line No.</u>	<u>Item</u>	<u>Per Application (a)</u>	<u>Public Staff Adjustments [1] (b)</u>	<u>After Public Staff Adjustments (c)</u>
1.	Plant in service	\$0	\$0	\$0
2.	Contributions in aid of construction	0	0	0
3.	Accumulated depreciation	0	0	0
4.	Cash working capital	0	20,639	20,639 [2]
5.	Average tax accruals	0	(1,362)	(1,362) [3]
6.	Original cost rate base (Sum of L1 thru L5)	<u>\$0</u>	<u>\$19,277</u>	<u>\$19,277</u>

[1] Column (c) minus Column (a).

[2] Calculated at one-eighth of operating expenses, less purchased sewer.

[3] Calculated at one-fifth payroll taxes.

Lake Junaluska, INC.
Docket No. W-1274, Sub 7
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended December 31, 2018

Public Staff
Chiu Exhibit I
Schedule 3(a)
Page 1 of 2

Water Operations

Line No.	Item	Present Rates		Company Proposed Rates			Public Staff Recommended Rates	
		Amount Per Actual GL Report	Public Staff Adjustments [1]	Per Public Staff [2]	Net Company Increase [6]	Operations After Rate Increase [7]	Net Public Staff Increase [8]	Operations After Rate Increase [9]
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Operating Revenues</u>								
1.	Service revenues	\$433,400	(\$2,504)	\$430,896 [3]	(\$30,326)	\$400,570 [3]	(\$73,917)	\$356,979 [10]
2.	Miscellaneous revenues	0	0	0	0	0	0	0
3.	Uncollectible accounts	0	0	0	0	0	0	0
4.	Total operating revenues	433,400	(2,504)	430,896	(30,326)	400,570	(73,917)	356,979
<u>Operating Expenses</u>								
5.	Salaries and wages	91,430	0	91,430	0	91,430	0	91,430
6.	Administrative and office	28,498	776	29,274 [3]	0	29,274	0	29,274
7.	Maintenance and repair	8,628	(0)	8,628	0	8,628	0	8,628
8.	Power for Pumping	4,100	(922)	3,178 [3]	0	3,178	0	3,178
9.	Chemicals	0	0	0	0	0	0	0
10.	Permit fees	2,377	(1,415)	962 [3]	0	962	0	962
11.	Purchased water	162,513	(776)	161,737 [3]	0	161,737	0	161,737
12.	Employee benefits	0	0	0	0	0	0	0
13.	Insurance	0	0	0	0	0	0	0
14.	Contract services	0	0	0	0	0	0	0
15.	Bond expense	0	0	0	0	0	0	0
16.	Testing	1,674	(786)	888 [3]	0	888	0	888
17.	Transportation	5,484	634	6,118 [4]	0	6,118	0	6,118
18.	Other expenses	20,566	2,050	22,617	0	22,617	0	22,617
19.	Rate case expense	0	0	0	0	0	0	0
20.	Total operating expenses	325,270	(439)	324,831	0	324,831	0	324,831
<u>Depreciation and Taxes</u>								
21.	Depreciation expense	0	0	0	0	0	0	0
22.	Property tax	0	0	0	0	0	0	0
23.	Payroll taxes	6,811	0	6,811	0	6,811	0	6,811
24.	Other taxes	0	0	0	0	0	0	0
25.	Regulatory fee	0	560	560 [5]	(39)	521 [5]	(96)	464 [5]
26.	Gross receipts tax	0	0	0	0	0	0	0
27.	State income tax	0	0	0	0	0	0	0
28.	Federal income tax	0	0	0	0	0	0	0
29.	Total depreciation and taxes	6,811	560	7,371	(39)	7,332	(96)	7,275
30.	Total operating revenue deductions	332,081	121	332,202	(39)	332,163	(96)	332,106
31.	Net operating income for return	\$101,319	(\$2,625)	\$98,694	(\$30,287)	\$68,407	(\$73,821)	\$24,873

Lake Junaluska, INC.

Docket No. W-1274, Sub 7

FOOTNOTES TO SCHEDULE 2(a)

For the Test Year Ended December 31, 2018

Public Staff
Chiu Exhibit I
Schedule 3(a)
Page 2 of 2

Water Operations

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Column (a) plus Column (b), unless otherwise footnoted.
- [3] Provided by Public Staff Engineer Casselberry.
- [4] Amount reclassified from permit fees.
- [5] Line 4 multiplied by 0.13%
- [6] Column (e) minus Column (c), unless otherwise footnoted.
- [7] Column (c) plus Column (d), unless otherwise footnoted.
- [8] Column (g) minus Column (c), unless otherwise footnoted.
- [9] Column (c) plus Column (f), unless otherwise footnoted.
- [10] Revenue requirement as calculated by the Public Staff.

Lake Junaluska, INC.
Docket No. W-1274, Sub 7
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended December 31, 2018

Public Staff
Chiu Exhibit I
Schedule 3(b)
Page 1 of 2

Sewer Operations

Line No.	Item	Present Rates				Company Proposed Rates			Public Staff Recommended Rates		
		Amount Per Actual GL Report	Public Staff Adjustments [1]	Per Public Staff [2]		Net Company Increase [6]	Operations After Rate Increase [7]	Net Public Staff Increase [8]	Operations After Rate Increase [9]		
		(a)	(b)	(c)	(d)	(e)	(f)	(g)			
<u>Operating Revenues</u>											
1.	Service revenues	\$364,955	\$16,191	\$381,146 [3]	\$37,288	\$418,434 [3]	\$37,487	\$418,633 [10]			
2.	Miscellaneous revenues	0	0	0	0	0	0	0			
3.	Uncollectible accounts	0	0	0	0	0	0	0			
4.	Total operating revenues	364,955	16,191	381,146	37,288	418,434	37,487	418,633			
<u>Operating Expenses</u>											
5.	Salaries and wages	91,430	0	91,430	0	91,430	0	91,430			
6.	Administrative and office	28,498	552	29,050 [3]	0	29,050	0	29,050			
7.	Maintenance and repair	13,993	(0)	13,993	0	13,993	0	13,993			
8.	Power for Pumping	0	922	922 [3]	0	922	0	922			
9.	Chemicals	0	0	0	0	0	0	0			
10.	Permit fees	0	985	985 [3]	0	985	0	985			
11.	Purchased sewer	217,547	(552)	216,995 [3]	0	216,995	0	216,995			
12.	Employee benefits	0	0	0	0	0	0	0			
13.	Insurance	0	0	0	0	0	0	0			
14.	Contract services	0	0	0	0	0	0	0			
15.	Bond expense	0	0	0	0	0	0	0			
16.	Testing	0	0	0 [3]	0	0	0	0			
17.	Transportation	5,484	634	6,118 [4]	0	6,118	0	6,118			
18.	Other expenses	20,586	2,050	22,617	0	22,617	0	22,617			
19.	Rate case expense	0	0	0	0	0	0	0			
20.	Total operating expenses	377,518	4,591	382,109	0	382,109	0	382,109			
<u>Depreciation and Taxes</u>											
21.	Depreciation expense	0	0	0	0	0	0	0			
22.	Property tax	0	0	0	0	0	0	0			
23.	Payroll taxes	6,811	0	6,811	0	6,811	0	6,811			
24.	Other taxes	0	0	0	0	0	0	0			
25.	Regulatory fee	0	495	495 [5]	49	544 [5]	49	544 [5]			
26.	Gross receipts tax	0	0	0	0	0	0	0			
27.	State income tax	0	0	0	0	0	0	0			
28.	Federal income tax	0	0	0	0	0	0	0			
29.	Total depreciation and taxes	6,811	495	7,306	49	7,355	49	7,355			
30.	Total operating revenue deductions	384,329	5,086	389,415	49	389,464	49	389,464			
31.	Net operating income for return	(\$19,374)	\$11,106	(\$8,269)	\$37,239	\$28,970	\$37,438	\$29,169			

Lake Junaluska, INC.
Docket No. W-1274, Sub 7
FOOTNOTES TO SCHEDULE 2(b)
For the Test Year Ended December 31, 2018

Public Staff
Chiu Exhibit I
Schedule 3(b)
Page 2 of 2

Sewer Operations

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Column (a) plus Column (b), unless otherwise footnoted.
- [3] Provided by Public Staff Engineer Casselberry.
- [4] Amount reclassified from permit fees.
- [5] Line 4 multiplied by 0.13%
- [6] Column (e) minus Column (c), unless otherwise footnoted.
- [7] Column (c) plus Column (d), unless otherwise footnoted.

Lake Junaluska, INC.
Docket No. W-1274, Sub 7
CALCULATION OF OPERATING RATIOS
For the Test Year Ended December 31, 2018

Public Staff
Chiu Exhibit I
Schedule 4(a)

Water Operations

Line No.	Item	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
<u>Interest expense, regulatory fee, gross receipts, and income taxes included:</u>				
1.	Gross operating revenues	\$430,896 [1]	\$400,570 [5]	\$356,979 [9]
2.	Operating expenses	<u>332,202 [2]</u>	<u>332,163 [6]</u>	<u>332,106 [10]</u>
3.	Operating ratios (L2 / L1)	<u>77.10%</u>	<u>82.92%</u>	<u>93.03%</u>
<u>Interest expense, regulatory fee, gross receipts, and income taxes excluded:</u>				
4.	Gross operating revenues	\$430,336 [3]	\$400,049 [7]	\$356,515 [11]
5.	Operating expenses	<u>331,642 [4]</u>	<u>331,642 [8]</u>	<u>331,642 [12]</u>
6.	Operating ratios (L5 / L4)	<u>77.07%</u>	<u>82.90%</u>	<u>93.02%</u>

- [1] Chiu Exhibit I, Schedule 3(a), Line 4, Column (c).
- [2] Chiu Exhibit I, Schedule 3(a), Line 30, Column (c).
- [3] Chiu Exhibit I, Schedule 3(a), Line 4 - Line 25 - Line 26 - Line 27 - Line 28, Column (c).
- [4] Chiu Exhibit I, Schedule 3(a), Line 30 - Line 25 - Line 26 - Line 27 - Line 28, Column (c).
- [5] Chiu Exhibit I, Schedule 3(a), Line 4, Column (e).
- [6] Chiu Exhibit I, Schedule 3(a), Line 30, Column (e).
- [7] Chiu Exhibit I, Schedule 3(a), Line 4 - Line 25 - Line 26 - Line 27 - Line 28, Column (e).
- [8] Chiu Exhibit I, Schedule 3(a), Line 30 - Line 25 - Line 26 - Line 27 - Line 28, Column (e).
- [9] Chiu Exhibit I, Schedule 3(a), Line 4, Column (g).
- [10] Chiu Exhibit I, Schedule 3(a), Line 30, Column (g).
- [11] Chiu Exhibit I, Schedule 3(a), Line 4 - Line 25 - Line 26 - Line 27 - Line 28, Column (g).
- [12] Chiu Exhibit I, Schedule 3(a), Line 30 - Line 25 - Line 26 - Line 27 - Line 28, Column (g).

Lake Junaluska, INC.
 Docket No. W-1274, Sub 7
CALCULATION OF OPERATING RATIOS
 For the Test Year Ended December 31, 2018

Public Staff
 Chiu Exhibit I
 Schedule 4(b)

Sewer Operations

Line No.	Item	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
<u>Interest expense, regulatory fee, gross receipts, and income taxes included:</u>				
1.	Gross operating revenues	\$381,146 [1]	\$418,434 [5]	\$418,633 [9]
2.	Operating expenses	<u>389,415 [2]</u>	<u>389,464 [6]</u>	<u>389,464 [10]</u>
3.	Operating ratios (L2 / L1)	<u>102.17%</u>	<u>93.08%</u>	<u>93.03%</u>
<u>Interest expense, regulatory fee, gross receipts, and income taxes excluded:</u>				
4.	Gross operating revenues	\$380,651 [3]	\$417,890 [7]	\$418,089 [11]
5.	Operating expenses	<u>388,920 [4]</u>	<u>388,920 [8]</u>	<u>388,920 [12]</u>
6.	Operating ratios (L5 / L4)	<u>102.17%</u>	<u>93.07%</u>	<u>93.02%</u>

[1] Chiu Exhibit I, Schedule 3(b), Line 4, Column (c).
 [2] Chiu Exhibit I, Schedule 3(b), Line 30, Column (c).
 [3] Chiu Exhibit I, Schedule 3(b), Line 4 - Line 25 - Line 26 - Line 27 - Line 28, Column (c).
 [4] Chiu Exhibit I, Schedule 3(b), Line 30 - Line 25 - Line 26 - Line 27 - Line 28, Column (c).
 [5] Chiu Exhibit I, Schedule 3(b), Line 4, Column (e).
 [6] Chiu Exhibit I, Schedule 3(b), Line 30, Column (e).
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 [12] Chiu Exhibit I, Schedule 3(b), Line 30 - Line 25 - Line 26 - Line 27 - Line 28, Column (g).