

**BENNINK LAW OFFICE**  
Robert H. Bennink, Jr., Attorney at Law

July 10, 2018

Ms. M. Lynn Jarvis, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4325t

**Via Electronic Filing**

Re: KRJ, Inc., d/b/a KRJ Utilities  
Docket No. W-1075, Sub 12 - General Rate Case Proceeding  
Verified Affidavit and Late-Filed Exhibit of James R. Butler

Dear Ms. Jarvis:

Attached for filing by KRJ, Inc., dba KRJ Utilities (“KRJ”), please find the Verified Affidavit and Late-Filed Exhibit of James R. Butler. Mr. Butler was KRJ’s expert witness in this proceeding.

On behalf of KRJ, I hereby move and request that the Commission enter an Order admitting Mr. Butler’s Verified Affidavit and Late-Filed Exhibit, including Attachment A thereto, in evidence in this proceeding.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

**Electronically Submitted**  
**/s/ Robert H. Bennink, Jr.**

North Carolina State Bar No. 6502  
Attorney for KRJ, Inc., dba KRJ Utilities

c: Gina Holt, Staff Attorney, Public Staff  
William Grantmyre, Staff Attorney, Public Staff  
John Little, Staff Attorney, Public Staff

**KRJ, INC., D/B/A KRJ UTILITIES  
DOCKET NO. W-1075, SUB 12**

**JAMES R. BUTLER  
VERIFIED AFFIDAVIT AND LATE-FILED EXHIBIT**

This Verified Affidavit and Late-Filed Exhibit (“Affidavit”) is filed on behalf of KRJ Inc, d/b/a KRJ Utilities (“KRJ” of “Company”) and supplements the Late-Filed Exhibits filed by Public Staff Accountant Iris Morgan and Public Staff Engineer Gina Y. Casselberry in this docket on July 10, 2018. KRJ agrees with the information submitted by witnesses Morgan and Casselberry in their Late-Filed Exhibits, but submits the following additional information for consideration by the Commission, without objection by the Public Staff.

1. Although Public Staff witness Morgan correctly states that the amounts of \$13,888 and \$10,156 related to “Loss from disposal of equipment” do not represent amounts being amortized under the Stipulation and settlement entered into by KRJ and the Public Staff, further clarification and context is necessary. Subsequent to the close of the evidentiary hearing, while researching the questions posed by the Commission, KRJ has developed additional evidence, which will be set forth in this Affidavit, in support of the stipulated position.

2. First, I have documented at least six additional instances of “Loss from disposal of equipment” totaling \$11,580 that KRJ incurred during the three-year period ending June 30, 2018, which could have been included for cost recovery in this case, but, unfortunately, they were not. Those additional losses from disposal of equipment are detailed in Attachment A to this Affidavit. This

was an inadvertent oversight on the part of KRJ, but the point is that the Company could have legitimately requested, and documented, a total of \$35,624 of “Loss from disposal of equipment” in this case.

3. Second, the six additional cited instances of documented losses from disposal of equipment illustrate the point that losses of this type are recurring in nature; that such losses are expected as a cost of operating a public utility; and that similar losses are not limited solely to the amounts of \$13,888 and \$10,156 requested in this case.

4. The point of this Affidavit is to request that the Commission approve the Stipulation entered into by the KRJ and the Public Staff in its entirety, including the two unamortized settlement amounts of \$13,888 and \$10,156 related to “Loss from disposal of equipment.” Recovery of the amounts for these losses were a central part of KRJ’s willingness to enter into the stipulated settlement with the Public Staff. If these amounts are amortized by the Commission, the net revenue increase agreed to by KRJ will be materially impacted, to the detriment of the Company.

5. KRJ appreciates the support stated by the Public Staff, as part of its Late-Filed Exhibits, in explanation of the difficult and good faith negotiating process which resulted in the stipulated settlement and the Public Staff’s specific request that the Commission approve the entire Stipulation as filed. The Company believes that the Stipulation, which was agreed to only after intense and extensive negotiations with the Public Staff, is fair to both the Company and its customers.

6. Accordingly, for the reasons set forth in this Affidavit and by the Public Staff in support of its Late-Filed Exhibits, KRJ requests that the Commission approve the Stipulation as filed, including the stipulated expense amounts of \$13,888 and \$10,156 related to “Loss from disposal of equipment”.

7. KRJ has also reviewed the Late-Filed Exhibit I filed by Public Staff Engineer Gina Y. Casselberry in this docket on July 10, 2018. KRJ agrees with and supports the information submitted by witness Casselberry in her Late-Filed Exhibit I.

8. In addition, at the evidentiary hearing, Presiding Commissioner Mitchell asked Public Staff witness Morgan whether the Public Staff had considered recommending a five-year amortization period for the Company’s rate case expenses due to the fact that KRJ has a history of not filing a rate case every three years. Witness Morgan responded that the Public Staff used the “typical and standard” three-year amortization period in this case. KRJ requests that the Commission not deviate from the standard and customary three-year amortization period for rate case expenses agreed to in this case by the Company and the Public Staff. Recovery of the Company’s rate case expenses over a three-year amortization period was an integral factor which affected KRJ’s willingness to enter into the overall stipulated settlement with the Public Staff. If KRJ’s rate case expenses are amortized by the Commission over a five-year period, the net revenue increase agreed to by KRJ will be materially impacted, to the detriment of the Company. Furthermore, it is likely that KRJ will now file more frequent rate cases than it has in the past.

9. KRJ is authorized to state that the Public Staff has reviewed this Affidavit, including Attachment A, and fully supports the request for relief that the Commission approve the Stipulation in full, including all of the revenue requirements stated in Stipulation Paragraph 4.F.

**Submitted on Behalf of KRJ Utilities**

**/s/James R. Butler**

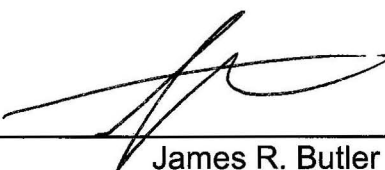
**KRJ Equipment Replaced with Loss due to Disposal Not Amortized**

	A	B	C	D	E	F	G	H	J	K	L
	Replacement	Date of	Date of	CPI-U	CPI-U at	Deflation	Approx	Age	Life	Accum	Value at
	Cost	Replacement	Acquisition	at Disposal	Acquisition	Factor	Orig. Cost	Yrs	Yrs	Deprec	Disposal
Water Meter - ST Well 1	1,064	06/30/2016	3/31/1996	238.638	155.700	0.6525	694	20.26	25	563	132
PRV - ST Tank 1	1,719	03/31/2018	6/30/2009	249.554	215.693	0.8643	1,486	8.76	25	520	965
Blower # 1 - RB	7,098	06/30/2015	5/7/2007	236.638	207.949	0.8788	6,237	8.15	25	2,034	4,203
Blower # 3 - RB	8,890	01/01/2018	5/7/2007	247.867	207.949	0.8390	7,458	10.66	25	3,181	4,277
3 Production Meter Internals - RB	1,850	12/19/2017	4/11/2007	245.120	244.524	0.9976	1,846	10.70	25	790	1,056
Finished Water Meter Internals - RB	1,597	05/21/2018	6/30/2010	251.588	217.965	0.8664	1,384	7.90	25	437	947
						=D/E					11,580

**VERIFICATION**

**James R. Butler**, being duly sworn, deposes and says:

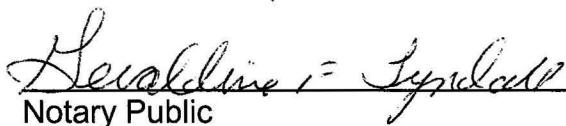
That he is the Vice President of Management Group of NC, Inc.; that he is familiar with the facts set out in the attached **VERIFIED AFFIDAVIT AND LATE-FILED EXHIBIT OF JAMES R. BUTLER**, filed in Docket No. W-1075, Sub 12; that he has read the foregoing Verified Affidavit and Late-Filed Exhibit and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.

  
James R. Butler

North Carolina

Carteret County

Sworn to and subscribed before me this the 10 day of July, 2018.

  
Notary Public

GERALDINE F. TYNDALL  
Printed Name

My Commission Expires: 6 22 2023

**Geraldine F. Tyndall**  
**Notary Public**  
**Onslow County, NC**

**CERTIFICATE OF SERVICE**

I hereby certify that on this the 10th day of July 2018, a copy of the foregoing **Verified Affidavit and Late-Filed Exhibit of James R. Butler**, filed on behalf of KRJ Inc., d/b/a KRJ Utilities in Docket No. W-1075, Sub 12, has been duly served upon all parties of record by electronic service, as follows:

Gina C. Holt  
William E. Grantmyre  
John Little  
Staff Attorneys  
Legal Division  
North Carolina Utilities Commission Public Staff  
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Attorneys for the Public Staff

**Electronically Submitted**  
**/s/Robert H. Bennink, Jr.**

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**Attorney for KRJ Inc., d/b/a KRJ Utilities**