

**LAKE JUNALUSKA ASSEMBLY, INC.
DOCKET NO. W-1274, SUB 7**

**DIRECT TESTIMONY OF JERRY H. TWEED
ON BEHALF OF LAKE JUNALUSKA ASSEMBLY, INC.**

December 9, 2019

1 Q. PLEASE STATE FOR THE RECORD YOUR NAME, ADDRESS, AND
2 PRESENT POSITION.

3 A. My name is Jerry H. Tweed. My address is 103 Redgate Drive, Cary, North
4 Carolina. I am a Utilities Engineer Consultant.

5 Q. BRIEFLY STATE YOUR QUALIFICATIONS AND EXPERIENCE RELATING
6 TO WATER AND SEWER OPERATIONS AND RATE REGULATION.

7 A. I am a graduate of The University of North Carolina at Charlotte with a
8 bachelor's degree in Civil Engineering. Until 2018 (when I gave up my
9 certificate) I was certified as a Grade IV Wastewater Treatment Plant
10 Operator. I was previously employed as a Utilities Engineer with the Public
11 Staff's Water and Sewer Division for over 16 years, nine of which were as
12 Division Director. I have also worked for three years with the Town of
13 Mooresville, North Carolina as superintendent of its wastewater treatment
14 facilities, for 1.5 years as Executive Vice President of Mid South Water
15 Systems, Inc. and over 15 years as Vice President of Heater Utilities, Inc.,
16 with the last two companies being investor-owned for profit water and sewer
17 companies regulated by the North Carolina Utilities Commission
18 (Commission).

1 Q. DID LAKE JUNALUSKA ASSEMBLY, INC. (LJA) HIRE YOU TO ASSIST IN
2 THE PREPARATION OF THE APPLICATION FOR A CERTIFICATE OF
3 PUBLIC CONVENIENCE AND NECESSITY IN THIS DOCKET?

4 A. Yes. I worked closely with Jack Carlisle (Director of Assembly Public Works),
5 Sendy Crenshaw (Finance Director for LJA), and Jenna Senocak (Assistant
6 Director of Assembly Public Works) in assisting them with preparing the
7 Application For a Certificate of Public Convenience and Necessity and For
8 approval of Rates filed by LJA on September 28, 2018. Jack Carlisle
9 recently retired but is providing testimony in this docket. I worked with Ms.
10 Crenshaw to insure that the Application reflected LJA's ongoing level of
11 revenues and operating expenses. Sendy Crenshaw primarily prepared the
12 estimated future expenses shown in LJA's Application. The future expense
13 estimates reflect actual historic expenses adjusted for known and
14 measurable changes. With regard to the estimated ongoing level of
15 revenues, with the assistance of Ms. Crenshaw, I performed a billing analysis
16 which was filed with the Application.

17 Q. HOW ARE RATES NORMALLY ESTABLISHED FOR WATER AND
18 WASTEWATER UTILITY COMPANIES REGULATED BY THE NORTH
19 CAROLINA UTILITIES COMMISSION?

20 A. Typically, companies regulated by the Commission are investor-owned for-
21 profit entities and they invest debt and equity capital into the installation and
22 ongoing upgrade/replacement of the infrastructure used to provide service.
23 Those utilities then request approval of rates that will allow them sufficient

1 revenues to recover all of their annual operating expenses, including income
2 taxes and depreciation expenses, and a return (profit) on the unrecovered
3 investment known at the Commission as rate base.

4 Q. HOW IS LJA DIFFERENT FROM THE TYPICAL INVESTOR-OWNED
5 COMPANY REGULATED BY THE COMMISSION?

6 A. LJA is a non-profit tax exempt entity affiliated with the United Methodist
7 Church. LJA does not seek to earn a profit and it does not claim depreciation
8 expense. It only seeks to recover both its operating costs and its capital
9 costs through its monthly rates. LJA, as a system not regulated by the
10 Commission, has been recovering its capital costs primarily through monthly
11 rates. It has therefore not built a rate base upon which to earn a return as
12 does the typical Commission regulated utility company.

13 I recommend that the Commission recognize this significant difference, and
14 the documented circumstances in LJA's water and sewer systems, and that
15 LJA be treated in a manner that is appropriate for a service provider that is
16 not an investor-owned for-profit utility company regulated by the Commission.

17 I recommend that it be allowed to continue to fund its capital expenditures
18 through monthly rates as it has in the past. I recommend, however, that the
19 monthly rates be structured to include a monthly user rate and a separate
20 monthly assessment component to fund capital expenditures, each of which
21 will be accounted for separately. The balance in the capital improvement
22 assessment account would be reported separately in LJA's annual report to

1 the Commission in order to track the total assessment amount collected and
2 spent on each capital project.

3 Q. DID YOU DESIGN PROPOSED RATES IN THIS PROCEEDING WHICH
4 WOULD ALLOW LJA TO RECOVER ITS ANNUAL OPERATING
5 EXPENSES AND ALLOW FOR FUNDING OF A CAPITAL BUDGET TO
6 CONTINUE TO REPLACE AND IMPROVE THE EXISTING WATER AND
7 SEWER INFRASTRUCTURE?

8 A. Yes. I designed proposed metered water and sewer rates to allow LJA to
9 recover its estimated normal operating expenses. Jack Carlisle advised me
10 that LJA needs an additional approximately \$200,000/year for capital
11 expenditures relating to water and sewer infrastructure. To fund a capital
12 budget at that level I proposed an \$8.14/month assessment for each
13 residential equivalent water customer and \$8.14/month assessment for each
14 residential equivalent sewer customer. This would support a total of
15 approximately \$200,000/year in funding for water and sewer system capital
16 expenditures.

17 Q. WHY DOES LJA NEED THIS CAPITAL ASSESSMENT FUNDING?

18 A. Some of LJA's infrastructure is as much as 100 years old. As documented in
19 prior Commission proceedings relating to LJA, this system is subject to
20 significant water leaks and other problems. Addressing those problems and
21 replacing those facilities requires significant capital expenditures. The funds
22 will be used primarily for replacement of aged water distribution and sewer
23 collection systems as shown in the Application. Because LJA resells bulk

1 water purchased from Waynesville the reality is that unaccounted for water
2 losses drive up LJA's cost of service in two ways. First, purchased water lost
3 through leaks in LJA's system is gone, but it has to be paid for. Second,
4 Waynesville charges LJA for bulk sewer service based on the volume of
5 water sold to LJA. As a result, Waynesville's billings for sewer service to LJA
6 are increased by the water losses. Therefore, system improvements that
7 reduce water losses reduce the charges for both purchased water and bulk
8 sewer service.

9 Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

10 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Testimony has been served this day by e-mailing same to all parties of record in this docket, and the Public Staff.

This the 9th day of December, 2019.

BURNS, DAY & PRESNELL, P.A.

By:  _____
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