

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

**REBUTTAL TESTIMONY OF JACK CARLISLE  
ON BEHALF OF LAKE JUNALUSKA ASSEMBLY, INC.**

**January 6, 2020**

1 Q. ARE YOU THE SAME JACK CARLISLE THAT FILED DIRECT TESTIMONY  
2 ON BEHALF OF LAKE JUNALUSKA ASSEMBLY, INC. (“LJA”) IN THIS  
3 DOCKET?

4 A. Yes.

5 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

6 A. My rebuttal testimony addresses some of the issues raised by the intervenors, Mr.  
7 Timothy Phelan and Mr. John Davis. Most all of their complaints are irrelevant to  
8 the issues presented by LJA’s Application requesting that the Commission issue it  
9 a Certificate of Public Convenience and Necessity and set the rates it will charge  
10 for water and sewer service. To the extent any of those complaints are either  
11 relevant, or warrant a response, I address them here.

12 Q. WHAT ASPECTS OF THE INTERVENORS’ TESTIMONY DO YOU  
13 ADDRESS?

14 A. I first address the testimony of Mr. Phelan and Mr. Davis relating to LJA’s water  
15 and sewer operating expenses. I then address their opposition to the fact that the  
16 assessment proposed by LJA includes funding for the future purchase of a new  
17 sewer jetter truck. Finally, I address Mr. Davis’s opposition to the uniform water  
18 usage rate structure proposed by LJA and supported by the Public Staff.

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1 Q. WHAT IS THE ISSUE REGARDING LJA'S OPERATING EXPENSES?

2 A. Attachment 2A to LJA's Application filed with the Commission in September 2018  
3 reflected an adjusted budget for annual operating expenses for 2018, not including  
4 the cost of purchased water and sewer services, of \$362,430.17. Mr. Phelan and  
5 Mr. Davis both question this, citing LJA's 2012 estimated budget for water and  
6 sewer operations of \$150,000. In this regard, Mr. Phelan relies on his Exhibit 1A,  
7 which is the May 8, 2012 Public Works Water And Sewer System Assessment and  
8 Appraisal relating to LJA's water distribution and sewer collection systems that  
9 was distributed to Assembly residents. Among other things, it informed them of  
10 the \$150,000 budget estimate for water and sewer operations. The complete  
11 statement regarding that figure, set forth at the bottom of page 4 of the Assessment  
12 and Appraisal, puts that budget estimate in context:

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

26 (Phelan Exhibit 1A, p. 4) (Emphasis added).

27 The upcoming return to Commission regulation, and the need to have the  
28 Commission set its water and sewer rates, required LJA to more accurately capture  
29 the cost of providing water and sewer services to its ratepayers. LJA's Assembly

1 Public Works Department (“APW”) has nine employees, eight of whom support to  
2 varying degrees LJA’s water and sewer operations.<sup>1</sup> The 2012 ballpark budget  
3 number of \$150,000 only covered wages and benefits for two field personnel and  
4 the miscellaneous other operating costs listed in the quoted paragraph on page 4 of  
5 Phelan Exhibit 1A. That number does not reflect any allocation of the cost of the  
6 other field personnel, administrative and management personnel that support LJA’s  
7 water and sewer operations, and the \$150,000 budget number from 2012 does not  
8 begin to accurately reflect the cost of LJA’s water and sewer operations.

9 As a final note on this point, the Public Staff audited LJA’s water and sewer  
10 operations and found that its operating expenses during the test year, not including  
11 the cost of purchased water and sewer, were \$340,835. (Chiu Exhibit 1, Schedules  
12 3(a) and 3(b)).

13 Q. PLEASE ADDRESS THE INTERVENORS’ RECOMMENDATIONS THAT  
14 THE COMMISSION NOT APPROVE ASSESSMENT FUNDING FOR A NEW  
15 SEWER TRUCK.

16 A. Included in the list of projected capital projects set forth in Exhibit 3A to LJA’s  
17 Application are three payments of \$60,000, reflecting the estimated \$180,000 cost  
18 of a new sewer jetter truck. LJA’s current jetter truck is a 1995 Chevrolet 7500  
19 Kodiak with a 1995 100 HP jetter pump. This truck was purchased used from the  
20 Town of Waynesville in 2011 for \$15,000, after the Town purchased a new truck.  
21 The mileage on the truck is unknown, as the odometer has exceeded its mechanical

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<sup>1</sup> The Labor Allocation of those eight employees was shown in Attachment 1 to LJA’s responses to Mr. Phelan’s data requests, a copy of which is attached as Carlisle Rebuttal Exhibit 1.

1 limits. The pump's hour meter has not been functional since the truck was  
2 purchased from Waynesville.

3 There are numerous maintenance problems with the current truck, including that  
4 the transmission and steering components are failing, and the air brakes leak to the  
5 point that they will not hold the truck on a hill. In addition, the jetter pump has  
6 significant leaks and LJA has been told that repairs are cost-prohibitive, since  
7 equipment is obsolete and parts hard to find.

8 APW personnel use this truck on a nearly daily basis to clear sewer back-ups, and  
9 for routine maintenance per North Carolina regulations. This is a crucial piece of  
10 equipment for the APW's sewer operations. Without it, we have no ability to  
11 prevent and clear sewer blockages, which can result in hefty fines from the State.  
12 LJA received a cost estimate from a vendor of \$180,000 for a new jetter truck with  
13 basic options. LJA has not yet performed a full financial analysis comparing lease  
14 versus purchase options for a replacement jetter truck, but will do so before moving  
15 forward with a purchase.

16 Q. WHAT ASPECT OF MR. DAVIS'S TESTIMONY DO YOU ADDRESS?

17 A. I address only his contention that "the LJA proposed rate structure is not equitable  
18 between residential and commercial customers. I conclude this because the  
19 percentage of revenue paid in by the residential customers for the volume of water  
20 consumed is significantly higher than that of the commercial." We disagree with  
21 that assertion, as LJA's proposed water rate structure, which is supported by the  
22 Public Staff, is equitable, in that every user pays the same rate per 1,000 gallons or  
23 per 100 cubic feet ("CCF") of water. I understand that this approach is typically

1 used by the Commission in setting water rates, and we believe this is a fair and  
2 equitable approach. Any alternative rate structure of the type described by Mr.  
3 Davis, which would punish commercial users and year-round residents for their  
4 normal usage patterns, is not shown to generate any specific level of revenue, much  
5 less LJA's revenue requirement.

6 As reflected in their testimony, and based on my dealings with them during their  
7 service on the Junaluska Assembly Community Council, I believe that Mr. Davis  
8 and Mr. Phelan are unhappy with the fact that the Assembly is governed by the  
9 Board of Trustees. I believe that one or both of them opposed LJA's efforts to be  
10 annexed into the Town of Waynesville several years ago. Mr. Davis recently filed  
11 a *pro se* lawsuit in Haywood County Superior Court against LJA seeking a ruling  
12 relating to governance of the community.

13 Q. DOES LJA AGREE WITH THE RECOMMENDATIONS MADE IN THE  
14 TESTIMONY FILED ON BEHALF OF THE PUBLIC STAFF?

15 A. Yes.

16 Q. WILL LJA USE THE FUNDS GENERATED BY THE PROPOSED  
17 ASSESSMENT TO CONTINUE WORK UNDER CAVANAUGH  
18 ENGINEERING'S 10-YEAR PLAN AND CONTINUE EFFORTS TO REDUCE  
19 UNACCOUNTED FOR WATER LOSSES?

20 A. Yes, and it is essential to do so. As noted in my direct testimony, because LJA  
21 resells purchased water, unaccounted for water losses drive up LJA's cost of service  
22 in two ways. First, water purchased from Waynesville and lost through leaks in  
23 LJA's system is gone but still must be paid for. Second, Waynesville charges LJA

1           for bulk sewer service based on the volume of water purchased by LJA. As a result,  
2           Waynesville's billings for sewer service to LJA are increased by the water losses.  
3           Therefore, system improvements that reduce water losses have positively impacted  
4           LJA's expenses by reducing Waynesville's charges for both purchased water and  
5           bulk sewer service.

6    Q.    DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

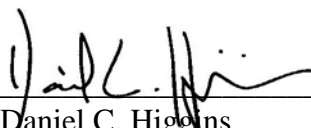
7    A.    Yes.

**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 6<sup>th</sup> day of January, 2020.

BURNS, DAY & PRESNELL, P.A.

By:   
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**LABOR ALLOCATION:**

<b>Employee</b>	<b>Water/Sewer %</b>	<b>Service Charge %</b>
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