

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

**TESTIMONY OF JUNE CHIU
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

December 20, 2019

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is June Chiu and my business address is 430 N. Salisbury
4 Street, Raleigh, North Carolina. I am a Staff Accountant with the
5 Accounting Division of the Public Staff – North Carolina Utilities
6 Commission, and represent the using and consuming public.

7 **Q. HOW LONG HAVE YOU BEEN EMPLOYED BY THE PUBLIC**
8 **STAFF?**

9 A. I have been employed by the Public Staff since October 17, 2017.

10 **Q. WILL YOU STATE BRIEFLY YOUR EDUCATION AND**
11 **EXPERIENCE?**

12 A. I am a graduate of Drake University with a Masters of Business
13 Administration degree. Prior to joining the Public Staff, I worked for
14 the Iowa state government and Fortune 500 companies including
15 Novo Nordisk and Rieter Textile. My duties there varied from
16 performing audit engagement to supervision of the accounting and
17 internal controls and preparing SEC filings.

1 **Q. WHAT ARE YOUR DUTIES?**

2 A. I am responsible for analyzing testimony, exhibits, and other data
3 presented by parties before this Commission. I have the further
4 responsibility of performing the examinations of books and records
5 of utilities involved in proceedings before the Commission, and
6 summarizing the results into testimony and exhibits for presentation
7 to the Commission.

8 **Q. MRS. CHIU, WHAT IS THE NATURE OF THE APPLICATION IN**
9 **THIS PROCEEDING?**

10 A. On September 28, 2018, Lake Junaluska Assembly, Incorporated
11 (Lake Junaluska or Company) filed an application with the
12 Commission to seeking to acquire a water and sewer utility franchise
13 for Lake Junaluska Assembly in Haywood County, North Carolina.
14 My investigation included a review of the application filed by Lake
15 Junaluska, an examination of the Company's books and records for
16 the test year, and a review of additional documentation provided by
17 the Company in response to written data requests.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
19 **PROCEEDING?**

20 A. The purpose of my testimony in this proceeding is to present the
21 results of my investigation of the levels of revenue, expenses, and
22 investment filed by Lake Junaluska in support of its franchise
23 application.

1 **Q. WOULD YOU BRIEFLY DESCRIBE THE PRESENTATION OF**
2 **YOUR TESTIMONY AND EXHIBITS?**

3 A. Yes. My testimony contains a discussion of each issue resulting from
4 my investigation, and my exhibit consists of schedules showing the
5 calculation of my adjustments to revenues, expenses, and rate base.
6 My schedules also reflect adjustments recommended by other Public
7 Staff witnesses. Schedules 1(a) and 1(b) of my Exhibit I present the
8 margin on operating revenue deductions requiring a return under
9 present rates, Company proposed rates, and Public Staff
10 recommended rates. Schedules 2(a) and 2(b) of my Exhibit I present
11 the original cost rate base for water and sewer operations. Schedules
12 3(a) and 3(b) of Exhibit I present the calculation of net operating
13 income for a return under present rates, Company proposed rates,
14 and Public Staff recommended rates. Schedules 4(a) and 4(b) of
15 Exhibit I present the Public Staff calculation of operating ratios.

16 **Q. WHAT CONCLUSIONS HAVE YOU REACHED AS TO THE**
17 **COMPANY'S RATE REQUEST FOR WATER OPERATIONS?**

18 A. Based on my investigation, Lake Junaluska's water original cost rate
19 base at December 31, 2018, is \$19,025. The level of operating
20 revenue deductions requiring a return (total operating expenses
21 excluding regulatory fee and income taxes) is \$331,642. As allowed
22 under G.S. 62-133.1, I have used the operating ratio method to
23 evaluate the Company's proposed revenue requirement.

1 I have calculated a decrease in the gross revenue requirement using
2 the operating margin of 7.5%, the reasonable rate recommended by
3 Public Staff Financial Analyst Craig. Use of this return on operating
4 revenue deductions produces a decrease in the gross water revenue
5 requirement of \$73,917. The resulting total revenue requirement will
6 be \$356,979, all of which is service revenues. Therefore the Public
7 Staff recommends that water service rates be set to reflect a \$73,917
8 decrease, resulting in an annual level of service revenues of
9 \$356,979.

10 **Q. WHAT CONCLUSIONS HAVE YOU REACHED AS TO THE**
11 **COMPANY'S RATE REQUEST FOR SEWER OPERATIONS?**

12 A. Based on my investigation, Lake Junaluska's sewer original cost rate
13 base at December 31, 2018, is \$19,277. The level of operating
14 revenue deductions requiring a return (total operating expenses
15 excluding regulatory fee and income taxes) is \$388,920. As allowed
16 under G.S. 62-133.1, I have used the operating ratio method to
17 evaluate the Company's proposed revenue requirement.

18 Based on the results of my investigation, I have concluded that the
19 revenues generated by the Company's proposed sewer rates are not
20 unreasonable and would not be unfair to its customers. Therefore, I
21 recommend that the revenue requirement as proposed by the
22 Company for sewer utility service be granted.

1 **Q. DOES CHIU EXHIBIT I REFLECT ADJUSTMENTS SUPPORTED**
2 **BY OTHER PUBLIC STAFF WITNESSES?**

3 A. My exhibit reflects the following adjustments supported by other
4 Public Staff witnesses:

5 1. The recommendation of Public Staff Financial Analyst Craig
6 regarding the margin on operating revenue deductions.

7 2. The recommendation made by Public Staff witness
8 Casselberry for the following items:

- 9 (a) Service revenues at present rates
10 (b) Service revenues at Company proposed rates
11 (c) Administrative and office
12 (d) Maintenance and repairs
13 (e) Transportation
14 (f) Electric power (Power for Pumping)
15 (g) Permit fees
16 (h) Purchased water
17 (i) Purchased sewer treatment
18 (j) Testing

19 **Q. WHAT ADJUSTMENTS WILL YOU DISCUSS?**

20 A. The Company provided consolidated financial information for water
21 and sewer systems on its application. In response to a Public Staff
22 data request, Lake Junaluska provided the amount of revenue and
23 expense that should be directly assigned and/or allocated to water
24 and sewer systems. I agree with the amount of revenue and expense
25 items that should be directly assigned to each system. The remaining
26 indirect revenue and expenses I allocated 50% to water operations
27 and 50% to sewer operations based on the recommendation of

1 Public Staff witness Casselberry. My adjustment to allocate the
2 consolidated revenues and expenses are reflected on Schedules
3 3(a) and 3(b) of my Exhibit I.

4 In addition, the accounting and ratemaking adjustments that I will
5 discuss relate to the following items:

- 6 (a) Cash working capital
- 7 (b) Average tax accruals
- 8 (c) Regulatory fee
- 9 (d) State and federal income taxes

10 **CASH WORKING CAPITAL**

11 **Q. PLEASE DESCRIBE YOUR CALCULATION OF CASH WORKING**
12 **CAPITAL.**

13 A. Cash working capital provides the Company with the funds
14 necessary to carry on the day to day operations of the Company. In
15 my calculation, I have included 1/8 of total O&M expenses, less
16 purchased water and sewer expenses, as a measure of cash working
17 capital.

18 **AVERAGE TAX ACCRUAL**

19 **Q. HOW DID YOU CALCULATE AVERAGE TAX ACCRUAL?**

20 A. Average tax accruals, calculated as 1/5 of payroll tax, is a tax which
21 the Company collects in rates but does not pay to the government
22 agency every month. Since the Company has the use of this money
23 until it is paid to the government agency, this tax accrual should be
24 deducted from rate base.

1

REGULATORY FEE

2

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO REGULATORY FEE.

3

A. I have adjusted the regulatory fee to reflect the statutory rate of .13% applied to revenues under present rates, Company proposed rates and Public Staff recommended rates.

4

5

6

STATE AND FEDERAL INCOME TAX

7

Q. WHAT ADJUSTMENT HAVE YOU MADE TO FEDERAL INCOME TAX?

8

9

A. The Company is exempt from paying state and federal taxes as it is a non-profit organization. I have not included an amount for these taxes.

10

11

12

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

13

A. Yes, it does.

INDEX TO CHIU EXHIBIT I

<u>LINE NO.</u>	<u>TITLE</u>	<u>SCHEDULE NO.</u>
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)
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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
**MARGIN ON OPERATING REVENUE DEDUCTIONS
REQUIRING A RETURN**
For the Test Year Ended December 31, 2018

Public Staff
Chiu Exhibit I
Schedule 1(b)

Sewer Operations

Line No.	<u>Item</u>	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
1.	Net operating income for a return	(\$8,269) [1]	\$28,970 [4]	\$29,169 [6]
2.	Operating revenue deductions requiring a return	<u>388,920 [2]</u>	<u>388,920 [5]</u>	<u>388,920 [7]</u>
3.	Return	<u>-2.13% [3]</u>	<u>7.45% [3]</u>	<u>7.50% [8]</u>

[1] Chiu Exhibit I, Schedule 3(b), Line 31, Column (c).
[2] Chiu Exhibit I, Schedule 3(b), 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(b), Line 31, Column (e).
[5] Chiu Exhibit I, Schedule 3(b), Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (e).
[6] Line 2 x Line 3.
[7] Chiu Exhibit I, Schedule 3(b), 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

Line No.	<u>Item</u>	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
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	<u>0</u>	<u>(1,362)</u>	<u>(1,362) [3]</u>
6.	Original cost rate base (Sum of L1 thru L5)	<u><u>\$0</u></u>	<u><u>\$19,025</u></u>	<u><u>\$19,025</u></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

Line No.	<u>Item</u>	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
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	<u>0</u>	<u>(1,362)</u>	<u>(1,362) [3]</u>
6.	Original cost rate base (Sum of L1 thru L5)	<u><u>\$0</u></u>	<u><u>\$19,277</u></u>	<u><u>\$19,277</u></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)	
Operating Revenues									
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	<u>364,955</u>	<u>16,191</u>	<u>381,146</u>	<u>37,288</u>	<u>418,434</u>	<u>37,487</u>	<u>418,633</u>	
Operating Expenses									
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	20,566	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	<u>377,518</u>	<u>4,591</u>	<u>382,109</u>	<u>0</u>	<u>382,109</u>	<u>0</u>	<u>382,109</u>	
Depreciation and Taxes									
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	<u>6,811</u>	<u>495</u>	<u>7,306</u>	<u>49</u>	<u>7,355</u>	<u>49</u>	<u>7,355</u>	
30.	Total operating revenue deductions	<u>384,329</u>	<u>5,086</u>	<u>389,415</u>	<u>49</u>	<u>389,464</u>	<u>49</u>	<u>389,464</u>	
31.	Net operating income for return	<u>(\$19,374)</u>	<u>\$11,106</u>	<u>(\$8,269)</u>	<u>\$37,239</u>	<u>\$28,970</u>	<u>\$37,438</u>	<u>\$29,169</u>	

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).

[7] Chiu Exhibit I, Schedule 3(b), Line 4 - Line 25 - Line 26 - Line 27 - Line 28, Column (e).

[8] Chiu Exhibit I, Schedule 3(b), Line 30 - Line 25 - Line 26 - Line 27 - Line 28, Column (e).

[9] Chiu Exhibit I, Schedule 3(b), Line 4, Column (g).

[10] Chiu Exhibit I, Schedule 3(b), Line 30, Column (g).

[11] Chiu Exhibit I, Schedule 3(b), Line 4 - Line 25 - Line 26 - Line 27 - Line 28, Column (g).

[12] Chiu Exhibit I, Schedule 3(b), Line 30 - Line 25 - Line 26 - Line 27 - Line 28, Column (g).