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May 13, 2009

FILE NO: 24419.50 [27342761]

Via E-Mail and Overnight Delivery

filed electronically in docket office 5/14/2009

Darlene Standley, Chief
Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

**Re: Petition of Tennessee Water Service, Inc.
to Change and Increase Certain Rates and Charges**
Docket No. 09-00017

Dear Ms. Standley:

Pursuant to the data request issued on April 1, 2009 in the above-referenced docket, enclosed please find four copies plus an electronic version of the following documents provided by Tennessee Water Service, Inc. ("TWS"):

1. Schedules A - E for the twelve months ended December 31, 2007;
2. Schedules A - E for the twelve months ended December 31, 2008; and
3. Schedules A - E with attrition adjustments.

If you have any questions regarding this response to the data request, please do not hesitate to contact me at the number listed above.

Thank you for your assistance.

Sincerely,

Christopher J. Ayers

Attachments

cc: J. Keith Coates, Jr., Esq.

**Petition of Tennessee Water Service, Inc.
to Change and Increase Certain Rates and Charges
*Docket No. 09-00017***

**Response to Data Request
dated April 1, 2009**

**Schedules A - E
for the 12 months ended
December 31, 2007**

Tennessee Water Service
Balance Sheet
December 31, 2007

Schedule A

ASSETS

Plant In Service		
Water	$	1,577,940
Sewer		0
Total	$	1,577,940
Accumulated Depreciation-Water	$	(263,841)
Accumulated Depreciation-Sewer		0
Total	$	(263,841)
Net Utility Plant	$	1,314,100
Plant Acquisition Adjustment-Water	$	0
Plant Acquisition Adjustment-Sewer		0
Total	$	0
Construction Work In Process-Water	$	551
Construction Work In Process-Other		15,820
Construction Work In Process-Sewer		0
Total	$	16,371
Current Assets		
Cash	$	1,285
Accounts Receivable - Net		(9,586)
Other Current Assets		0
Total	$	(8,301)
Deferred Charges	$	11,242
TOTAL ASSETS	$	1,333,411

LIABILITIES AND OTHER CREDITS

Capital Stock and Retained Earnings		
Common Stock and Paid In Capital	$	233,960
Retained Earnings		74,036
Total	$	307,996
Current and Accrued Liabilities		
Accounts Payable-Trade	$	14,636
Taxes Accrued		4,957
Customer Deposits		3,690
Customer Deposits - Interest		295
A/P - Assoc. Companies		110,158
Total	$	133,736
Advances In Aid of Construction		
Water	$	0
Sewer		0
Total	$	0
Contributions In Aid of Construction		
Water	$	810,911
Sewer		0
Total	$	810,911
Accumulated Deferred Income Tax		
Unamortized ITC	$	2,270
Deferred Tax - Federal		75,990
Deferred Tax - State		2,509
Total	$	80,769
TOTAL LIABILITIES AND OTHER CREDITS	$	1,333,411

Tennessee Water Service
Water Operations
Test Year Ended December 31, 2007

	Per Books	Pro Forma Adjustments		Pro Forma Present		Proposed Increase		Pro Forma Proposed
Operating Revenues								
Service Revenues - Water	$ 213,179	$ 4,829	[a]	$ 218,008		$ 55,355	[a]	$ 273,363
Service Revenues - Sewer	-	-		-				-
Miscellaneous Revenues	3,681	-		3,681				3,681
Uncollectible Accounts	(348)	(8)	[j]	(356)		(90)	[j]	(446)
Total Operating Revenues	$ 216,511	$ 4,821		$ 221,332		$ 55,265		$ 276,597
Maintenance Expenses								
Salaries and Wages	$ 29,757	$ -		$ 29,757		$ -		$ 29,757
Purchased Power	20,178	-		$ 20,178		-		20,178
Purchased Water	85,623	-		$ 85,623		-		85,623
Maintenance and Repair	29,540	-		$ 29,540		-		29,540
Maintenance Testing	1,708	-		$ 1,708		-		1,708
Meter Reading	1,953	-		$ 1,953		-		1,953
Chemicals	529	-		$ 529		-		529
Transportation	28	-		$ 28		-		28
Operating Exp. Charged to Plant	(2,592)	-		(2,592)		-		(2,592)
Outside Services - Other	3,655	-		$ 3,655		-		3,655
Total	$ 170,379	$ -		$ 170,378		$ -		$ 170,378
General Expenses								
Salaries and Wages	$ 2,052	$ -		$ 2,052		$ -		$ 2,052
Office Supplies & Other Office Exp.	6,127	-		$ 6,127		-		6,127
Regulatory Commission Exp.	-	-		-		-		-
Pension & Other Benefits	8,113	-		$ 8,113		-		8,113
Rent	562	-		$ 562		-		562
Insurance	1,429	-		$ 1,429		-		1,429
Office Utilities	2,961	-		$ 2,961		-		2,961
Miscellaneous	559	-		$ 559		-		559
Total	$ 21,804	$ -		$ 21,804		$ -		$ 21,804
Depreciation	$ 23,869	$ -		$ 31,514	[n] [l]	$ -		$ 31,514
Taxes Other Than Income	14,820	19	[f]	$ 14,839		211	[f]	15,051
Income Taxes - Federal	(6,556)	899	[g]	(5,657)		17,502	[g]	11,845
Income Taxes - State	1,209	(2,366)	[g]	(1,157)		3,578	[g]	2,422
Amort. Investment Tax Credit	(49)	-		(49)		-		(49)
Amortization of CIAC	(15,044)	-		(15,049)		-		(15,049)
Total	$ 18,249	$ (1,447)		$ 24,442		$ 21,291		$ 45,734
Total Operating Expenses	$ 210,431	$ (1,447)		$ 216,624		$ 21,291		$ 237,916
Net Operating Income	$ 6,080	$ 6,268		$ 4,708		$ 33,974		$ 38,682
Interest During Construction	$ (1)	$ 1	[h]	$ -		$ -		$ -
Interest on Debt	18,631	(2,942)	[i]	15,689		-		15,689
Net Income	$ (12,550)	$ 9,209		$ (10,981)		$ 33,974		$ 22,993

Tennessee Water Service
Explanation of Adjustments to Income Statement
Test Year Ended December 31, 2007

[a] Water revenues are adjusted to tie to test year consumption data at test year rates, and adjusted again for the proposed increase.

[c] Depreciation and amortization expense are annualized to reflect actual and estimated pro forma plant additions, actual and estimated capitalize(time additions, and actual and estimated general ledger plant additions at the approved depreciation rate of 1.5%.
Depreciation and amortization expense have been adjusted for retirement of certain assets.
Depreciation expense regarding Project Phoenix is also included. Please see w/p[n] entitled "Project Phoenix" for workpaper documentation.

[f] Taxes other than income are adjusted for annualized payroll taxes, utility commission taxes, anc gross receipts taxes at present and proposed rates.

[g] Income taxes are computed on taxable income at present and proposed rates.

[h] AFUDC is eliminated for rate making purposes.

[i] Interest on debt has been computed using a 6.60% cost of debt.

[j] Uncollectible accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to the pro forma proposed revenues.

Tennessee Water Service
Water Operations
Rate Base and Rate of Return
Test Year Ended December 31, 2007

	Per Books	Pro Forma Adjustments		As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	$ 6,080	$ 6,268		$ 4,708	$ 33,974	$ 38,682
Gross Plant In Service	1,577,940	-		1,577,940	-	1,577,940
Accumulated Depreciation	(263,841)	-		(263,841)	-	(263,841)
Net Plant In Service	1,314,100	-		1,314,100	-	1,314,100
Cash Working Capital	25,875	29	[c]	25,904	-	25,904
Contributions In Aid of Construction	(810,911)	-		(810,911)	-	(810,911)
Accumulated Deferred Income Taxes	(78,499)	-		(78,499)	-	(78,499)
Customer Deposits	(3,985)	-		(3,985)	-	(3,985)
Advances in Aid of Construction	-	-		-	-	-
General Ledger Additions/ Capitalized Time	-	-		-	-	-
Pro Forma Plant	-	-		-	-	-
Pro Forma Plant Retirements	-	-		-	-	-
Regional Office Allocation	-	-		-	-	-
Total Rate Base	$ 446,580	$ 29		$ 446,609	$ -	$ 446,609
Return on Rate Base	1.36%			1.05%		Page 1 of 1 8.66% [g]

[c] Cash working capital adjustment based on change in taxes other than income

Tennessee Water Service
Test Year Revenues
Test Year Ended December 31, 2007

WATER

Bill code	Description	Gallonage	Gallonage Applicable to Usage Charge	Usage Charge	Units	BFC	Revenues
65101	5/8" Residential Water	29,492,000	18,394,000	$ 6.61	3,423	$ 28.04	$ 217,565
65102	1" Residential Water	50,000	16,000	$ 6.61	12	$ 28.04	$ 442
			-				
			-				
			-				
	Total	29,542,000	18,410,000		3,435		$ 218,008

per t/b	$	213,756
difference $	$	4,252
difference %		1.99%

WATER

Bill code	Description	Test Year Gallonage	Gallonage Applicable to Usage Charge	Proposed Usage Charge	Test Year Units	Proposed BFC	Revenues
65101	5/8" Residential Water	29,492,000	18,394,000	$ 8.26	3423	$ 35.30	$ 272,808
65102	1" Residential Water	50,000	16,000	$ 8.26	12	$ 35.30	$ 555
	Total	29,542,000	18,410,000		3,435		$ 273,363

Petition of Tennessee Water Service, Inc.
to Change and Increase Certain Rates and Charges
Docket No. 09-00017

Response to Data Request
dated April 1, 2009

Schedules A - E
for the 12 months ended
December 31, 2008

Tennessee Water Service
Balance Sheet
December 31, 2008

Schedule A

ASSETS		
Plant In Service		
Water	$	1,670,028
Sewer		0
Total	$	1,670,028
Accumulated Depreciation-Water	$	(284,826)
Accumulated Depreciation-Sewer		0
Total	$	(284,826)
Net Utility Plant	$	1,385,202
Plant Acquisition Adjustment-Water	$	0
Plant Acquisition Adjustment-Sewer		0
Total	$	0
Construction Work In Process-Water	$	0
Construction Work In Process-Other		0
Construction Work In Process-Sewer		0
Total	$	0
Current Assets		
Cash	$	1,606
Accounts Receivable - Net		(85,267)
Other Current Assets		0
Total	$	(83,661)
Deferred Charges	$	14,902
TOTAL ASSETS	$	1,316,443

LIABILITIES AND OTHER CREDITS		
Capital Stock and Retained Earnings		
Common Stock and Paid In Capital	$	263,878
Retained Earnings		12,981
Total	$	276,858
Current and Accrued Liabilities		
Accounts Payable-Trade	$	33,126
Taxes Accrued		8,236
Customer Deposits		2,944
Customer Deposits - Interest		478
A/P - Assoc. Companies		112,028
Total	$	156,812
Advances In Aid of Construction		
Water	$	0
Sewer		0
Total	$	0
Contributions In Aid of Construction		
Water	$	795,862
Sewer		0
Total	$	795,862
Accumulated Deferred Income Tax		
Unamortized ITC	$	2,221
Deferred Tax - Federal		81,199
Deferred Tax - State		3,490
Total	$	86,911
TOTAL LIABILITIES AND OTHER CREDITS	$	1,316,443

Tennessee Water Service
Water Operations
Test Year Ended December 31, 2008

Schedule B
Page 1 of 2

	Per Books	Pro Forma Adjustments		Pro Forma Present		Proposed Increase		Pro Forma Proposed
Operating Revenues								
Service Revenues - Water	$ 185,879	$ 30,479	[a]	$ 216,358		$ 125,148	[a]	$ 341,506
Service Revenues - Sewer	-	-		-				-
Miscellaneous Revenues	6,000	-		6,000				6,000
Uncollectible Accounts	(3,751)	(615)	[j]	(4,366)		(2,525)	[j]	(6,892)
Total Operating Revenues	$ 188,128	$ 29,864		$ 217,992		$ 122,622		$ 340,614
Maintenance Expenses								
Salaries and Wages	$ 32,518	$ -		$ 32,518		$ -		$ 32,518
Purchased Power	10,807	-		$ 10,807		-		10,807
Purchased Water	103,980	-		$ 103,980		-		103,980
Maintenance and Repair	41,568	-		$ 41,568		-		41,568
Maintenance Testing	682	-		$ 682		-		682
Meter Reading	2,315	-		$ 2,315		-		2,315
Chemicals	410	-		$ 410		-		410
Transportation	6	-		$ 6		-		6
Operating Exp. Charged to Plant	-	-		-		-		-
Outside Services - Other	4,714	-		$ 4,714		-		4,714
Total	$ 197,001	$ -		$ 197,001		$ -		$ 197,001
General Expenses								
Salaries and Wages	$ 20,057	$ -		$ 20,057		$ -		$ 20,057
Office Supplies & Other Office Exp.	6,448	-		$ 6,448		-		6,448
Regulatory Commission Exp.	-	-		17,979		-		17,979
Pension & Other Benefits	10,102	-		$ 10,102		-		10,102
Rent	18	-		$ 18		-		18
Insurance	4,478	-		$ 4,478		-		4,478
Office Utilities	3,077	-		$ 3,077		-		3,077
Miscellaneous	1,145	-		$ 1,145		-		1,145
Total	$ 45,327	$ -		$ 63,306		$ -		$ 63,306
Depreciation	$ 29,199	$ -	[e]	$ 29,666	[n] [l]	$ -		$ 29,666
Taxes Other Than Income	1,619	122	[f]	$ 1,741		491	[f]	2,232
Income Taxes - Federal	(31,964)	7,273	[g]	(24,691)		38,826	[g]	14,135
Income Taxes - State	(25)	(5,023)	[g]	(5,048)		7,939	[g]	2,890
Amort. Investment Tax Credit	(49)	-		(49)		-		(49)
Amortization of CIAC	(15,049)	-		(15,049)		-		(15,049)
Total	$ (16,269)	$ 2,371		$ (13,431)		$ 47,255		$ 33,824
Total Operating Expenses	$ 226,059	$ 2,371		$ 246,876		$ 47,255		$ 294,131
Net Operating Income	$ (37,931)	$ 27,492		$ (28,884)		$ 75,368		$ 46,484
Interest During Construction	$ (420)	$ 420	[h]	$ -		$ -		$ -
Interest on Debt	23,545	(4,499)	[i]	19,046		-		19,046
Net Income	$ (61,055)	$ 31,571		$ (47,930)		$ 75,368		$ 27,438

Tennessee Water Service
Explanation of Adjustments to Income Statement
Test Year Ended December 31, 2008

[a] Water revenues are adjusted to tie to test year consumption data at test year rates, and adjusted again for the proposed increase.

[f] Taxes other than income are adjusted for annualized payroll taxes, utility commission taxes, and gross receipts taxes at present and proposed rates.

[g] Income taxes are computed on taxable income at present and proposed rates.

[h] AFUDC is eliminated for rate making purposes.

[i] Interest on debt has been computed using a 6.69% cost of debt.

[j] Uncollectible accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to the pro forma proposed revenues.

Tennessee Water Service
Water Operations
Rate Base and Rate of Return
Test Year Ended December 31, 2008

	Per Books	Pro Forma Adjustments		As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	$ (37,931)	$ 27,492		(28,884)	$ 75,368	$ 46,484
Gross Plant In Service	1,670,028	-		1,670,028	-	1,670,028
Accumulated Depreciation	(284,826)	-		(284,826)	-	(284,826)
Net Plant In Service	1,385,202	-		1,385,202	-	1,385,202
Cash Working Capital	30,493	2,324	[c]	32,817	-	32,817
Contributions In Aid of Construction	(795,862)	-		(795,862)	-	(795,862)
Accumulated Deferred Income Taxes	(84,690)	-		(84,690)	-	(84,690)
Customer Deposits	(3,422)	-		(3,422)	-	(3,422)
Advances in Aid of Construction	-	-		-	-	-
General Ledger Additions/ Capitalized Time	-	-		-	-	-
Pro Forma Plant	-	-		-	-	-
Pro Forma Plant Retirements	-	-		-	-	-
Regional Office Allocation	-	-		-		-
Total Rate Base	$ 531,721	$ 2,324		534,045	$ -	$ 534,045
Return on Rate Base	-7.13%			-5.41%		8.70% [g]

[c] Cash working capital is changing based on the taxes other than income calculation.

Tennessee Water Service
Explanation of Adjustments to Rate Base and Rate of Return
Test Year Ended December 31, 2008

[a] These adjustments are for the rate base allocation. Please refer to w/p [o] for rate base allocation.

[b] Accumulated depreciation is adjusted to reflect actual and estimated general ledger additions, capitalized time additions and pro forma plant additions and retirements that will all be completed by 12/31/07.
Accumulated depreciation on plant adjustments has been rolloed forward to reflect accumulated depreciation balances at 12/31/06.
Also includes accumulated depreciation from Project Phoenix. Please refer to w/p [n] for additional information.

[c] Cash working capital is calculated based on the 1/8 method using maintenance, general expenses, and taxes other than income.

[d] A pro forma adjustment has been made to include actual and estimated capitalized time that will be completed by 12/31/07.

[e] A pro forma adjustment has been made to include actual and estimated general ledger plant additions that will be completed by 12/31/07.

[f] A pro forma adjustment has been made to include actual and estimated construction work in progress (pro forma plant) that will be completed by 12/31/07.

[g] The Return on Rate Base shown above is provided solely as a matter of information and convenience for the Commission and is not intended to reflect a request for this specific return on rate base (or any return on equity). Applicant will make its request for a return on rate base (and return on equity) by way of evidence to be introduced at hearing.

[h] This refers to Project Phoenix (new software implementation). This adjustment is an addition of gross asset of $17,935.
Please refer to w/p [n].

[i] This refers to the transportation allocation for Tennessee Water Service employees of $15,391 added to gross plant in service and $6,991 for accumulated depreciation.
Please refer to w/p [q].

Tennessee Water Service
Supplemental Schedule for Accumulated Depreciation
Test Year Ended December 31, 2008

Accumulated Depreciation

Plant	@ 1.5%	2,253	w/p [l]
		28,075	w/p [j]
		30,328	
		1.50%	
		(455)	
Project Phoenix	@ 20%	17,935	w/p [n]
		20%	
		(3,587)	
Vehicle A/D		(6,991)	w/p [q]
		(6,991)	
Subtotal of A/D		(11,033)	
Retirement		21,056	w/p [k]
TOTAL A/D to record on Rate Base Schedule		10,024	

Tennessee Water Service
Test Year Revenues
Test Year Ended December 31, 2008

WATER

Bill code	Description	Gallonage	Gallonage Applicable to Usage Charge	Usage Charge	Units	BFC	Revenues
65101	5/8" Residential Water	27,724,000	16,298,000	$ 6.61	3,832	$ 28.04	$ 215,179
65102	1" Residential Water	149,000	102,000	$ 6.61	18	$ 28.04	$ 1,179
			-				
			-				
			-				
	Total	27,873,000	16,400,000		3,850		$ 216,358

per t/b	$	215,504
difference $	$	854
difference %		0.40%

WATER

Bill code	Description	Test Year Gallonage	Gallonage Applicable to Usage Charge	Proposed Usage Charge	Test Year Units	Proposed BFC	Revenues
65101	5/8" Residential Water	27,724,000	16,298,000	$ 10.29	3832	$ 44.88	$ 339,650
65102	1" Residential Water	149,000	102,000	$ 10.29	18	$ 44.88	$ 1,856
	Total	27,873,000	16,400,000		3,850		$ 341,506

Petition of Tennessee Water Service, Inc.
to Change and Increase Certain Rates and Charges
Docket No. 09-00017

Response to Data Request
dated April 1, 2009

Schedules A - E
with attrition adjustments

Tennessee Water Service
Balance Sheet
December 31, 2008

Schedule A

ASSETS		
Plant In Service		
Water	$	1,670,028
Sewer		0
Total	$	1,670,028
Accumulated Depreciation-Water	$	(284,826)
Accumulated Depreciation-Sewer		0
Total	$	(284,826)
Net Utility Plant	$	1,385,202
Plant Acquisition Adjustment-Water	$	0
Plant Acquisition Adjustment-Sewer		0
Total	$	0
Construction Work In Process-Water	$	0
Construction Work In Process-Other		0
Construction Work In Process-Sewer		0
Total	$	0
Current Assets		
Cash	$	1,606
Accounts Receivable - Net		(85,267)
Other Current Assets		0
Total	$	(83,661)
Deferred Charges	$	14,902
TOTAL ASSETS	$	1,316,443

LIABILITIES AND OTHER CREDITS		
Capital Stock and Retained Earnings		
Common Stock and Paid In Capital	$	263,878
Retained Earnings		12,981
Total	$	276,858
Current and Accrued Liabilities		
Accounts Payable-Trade	$	33,126
Taxes Accrued		8,236
Customer Deposits		2,944
Customer Deposits - Interest		478
A/P - Assoc. Companies		112,028
Total	$	156,812
Advances In Aid of Construction		
Water	$	0
Sewer		0
Total	$	0
Contributions In Aid of Construction		
Water	$	795,862
Sewer		0
Total	$	795,862
Accumulated Deferred Income Tax		
Unamortized ITC	$	2,221
Deferred Tax - Federal		81,199
Deferred Tax - State		3,490
Total	$	86,911
TOTAL LIABILITIES AND OTHER CREDITS	$	1,316,443

Tennessee Water Service
Water Operations
Test Year Ended December 31, 2008

	Per Books	Pro Forma Adjustments		Pro Forma Present		Proposed Increase		Pro Forma Proposed
Operating Revenues								
Service Revenues - Water	$ 185,879	$ 30,479	[a]	$ 216,358		$ 139,743	[a]	$ 356,101
Service Revenues - Sewer	-	-		-				-
Miscellaneous Revenues	6,000	-		6,000				6,000
Test Uncollectible Accounts	(3,751)	(615)	[j]	(4,366)		(2,820)	[j]	(7,186)
Total Operating Revenues	$ 188,128	$ 29,864		$ 217,992		$ 136,923		$ 354,915
Maintenance Expenses								
Salaries and Wages	$ 32,518	$ 1,138	[b]	$ 33,656		$ -		$ 33,656
Purchased Power	10,807	628	[m]	$ 11,435		-		11,435
Purchased Water	103,980	6,038	[m]	$ 110,018		-		110,018
Maintenance and Repair	41,568	2,414	[m]	$ 43,982		-		43,982
Maintenance Testing	682	40	[m]	$ 721		-		721
Meter Reading	2,315	134	[m]	$ 2,450		-		2,450
Chemicals	410	24	[m]	$ 434		-		434
Transportation	6	0	[l]	$ 7		-		7
Operating Exp. Charged to Plant	-	(3,178)	[c]	(3,178)		-		(3,178)
Outside Services - Other	4,714	274	[m]	$ 4,988		-		4,988
Total	$ 197,001	$ 7,511		$ 204,512		$ -		$ 204,512
General Expenses								
Salaries and Wages	$ 20,057	$ 702	[b]	$ 20,759		$ -		$ 20,759
Office Supplies & Other Office Exp.	6,448	374	[m]	$ 6,822		-		6,822
Regulatory Commission Exp.	-	24,504	[d]	24,504		-		24,504
Pension & Other Benefits	10,102	354	[b]	$ 10,456		-		10,456
Rent	18	1		$ 19		-		19
Insurance	4,478	260	[m]	$ 4,738		-		4,738
Office Utilities	3,077	179	[m]	$ 3,256		-		3,256
Miscellaneous	1,145	67	[m]	$ 1,212		-		1,212
Total	$ 45,327	$ 26,440		$ 71,767		$ -		$ 71,767
Depreciation	$ 29,199	$ 231	[e]	$ 29,431	[n] [l]	$ -		$ 29,431
Taxes Other Than Income	1,619	1,989	[f]	$ 3,608		549	[f]	4,157
Income Taxes - Federal	(31,964)	1,153	[g]	(30,811)		43,353	[g]	12,543
Income Taxes - State	(25)	(6,275)	[g]	(6,300)		8,864	[g]	2,565
Amort. Investment Tax Credit	(49)	-		(49)		-		(49)
Amortization of CIAC	(15,049)	(0)	[e]	(15,049)		-		(15,049)
Total	$ (16,269)	$ (2,900)		$ (19,169)		$ 52,767		$ 33,598
Total Operating Expenses	$ 226,059	$ 31,051		$ 257,110		$ 52,767		$ 309,877
Net Operating Income	$ (37,931)	$ (1,187)		$ (39,118)		$ 84,157		$ 45,039
Interest During Construction	$ (420)	$ 420	[h]	$ -		$ -		$ -
Interest on Debt	23,545	(2,854)	[i]	20,691		-		20,691
Net Income	$ (61,055)	$ 1,247		$ (59,809)		$ 84,157		$ 24,348

Tennessee Water Service
Explanation of Adjustments to Income Statement
Test Year Ended December 31, 2008

[a] Water revenues are adjusted to tie to test year consumption data at test year rates, and adjusted again for the proposed increase.

[b] An adjustment of 3.5% to test year wages hasbeen included to reflect yearly increases to salaries.

[c] Operating expense charged to plant has been adjusted to reflect an increase in operator salaries.

[d] Regulatory expense has been adjusted for the total estimated cost of this case, amortized over three years.

[e] Depreciation and amortization expense are annualized to reflect actual and estimated general ledger plant additions, at the approved depreciation rate of 1.5%.

[f] Taxes other than income are adjusted for annualized payroll taxes, utility commission taxes, and gross receipts taxes at present and proposed rates.

[g] Income taxes are computed on taxable income at present and proposed rates.

[h] AFUDC is eliminated for rate making purposes.

[i] Interest on debt has been computed using a 59.36%/40.64% debt / equity ratio and a 6.40% cost of debt.

[j] Uncollectible accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to the pro forma proposed revenues.

[k] Intentionally left blank.

[m] These expenses are increased by the CP index.
After doing analysis of utility components, a CPI
5.81% was utilized to increase expenses due to general rising costs on a yearly basis.

Tennessee Water Service
Water Operations
Rate Base and Rate of Return
Test Year Ended December 31, 2008

	Per Books	Pro Forma Adjustments		As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	$ (37,931)	$ (1,187)		$ (39,118)	$ 84,157	$ 45,039
Gross Plant In Service	1,670,028			1,670,028	-	1,670,028
Accumulated Depreciation	(284,826)	(125)	[b]	(284,951)	-	(284,951)
Net Plant In Service	1,385,202	(125)		1,385,077	-	1,385,077
Cash Working Capital	30,493	4,562	[c]	35,055	-	35,055
Contributions In Aid of Construction	(795,862)	-		(795,862)	-	(795,862)
Accumulated Deferred Income Taxes	(84,690)	-		(84,690)	-	(84,690)
Customer Deposits	(3,422)	-		(3,422)	-	(3,422)
Advances in Aid of Construction	-	-		-	-	-
Plant Acquisition Adjustment	-	-		-	-	-
General Ledger Additions/ Capitalized Time	-	8,515	[b]	8,515	-	8,515
Excess Book Value	-	-		-	-	-
Pro Forma Plant	-	-		-	-	-
Pro Forma Plant Retirements	-	-		-	-	-
Total Rate Base	$ 531,721	$ 12,952		$ 544,673	$ -	$ 544,673
Return on Rate Base	-7.13%			-7.18%		8.27% [g]

Tennessee Water Service
Explanation of Adjustments to Rate Base and Rate of Return
Test Year Ended December 31, 2008

[b] Accumulated depreciation is adjusted to reflect actual general ledger additions through 04/30/2009.

[c] Cash working capital is calculated based on the 1/8 method using maintenance, general expenses, and taxes other than income.

[g] The Return on Rate Base shown above is provided solely as a matter of information and convenience for the Commission and is not intended to reflect a request for this specific return on rate base (or any return on equity). Applicant will make its request for a return on rate base (and return on equity) by way of evidence to be introduced at hearing.

Tennessee Water Service
Test Year Revenues
Test Year Ended December 31, 2008

WATER

Bill code	Description	Gallonage	Gallonage Applicable to Usage Charge	Usage Charge	Units	BFC	Revenues
65101	5/8" Residential Water	27,724,000	16,298,000	$ 6.61	3,832	$ 28.04	$ 215,179
65102	1" Residential Water	149,000	102,000	$ 6.61	18	$ 28.04	$ 1,179
			-				
			-				
			-				
	Total	27,873,000	16,400,000		3,850		$ 216,358

per t/b	$	215,504
difference $	$	854
difference %		0.40%

Tennessee Water Service
Test Year Ended December 31, 2008
Revenues at Proposed Rates

WATER

Bill code	Description	Test Year Gallonage	Gallonage Applicable to Usage Charge	Proposed Usage Charge	Test Year Units	Proposed BFC	Revenues
65101	5/8" Residential Water	27,724,000	16,298,000	$ 10.85	3832	$ 46.29	$ 354,163
65102	1" Residential Water	149,000	102,000	$ 10.85	18	$ 46.29	$ 1,939
	Total	27,873,000	16,400,000		3,850		$ 356,101