

BAKER DONELSON

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February 16, 2018

Tennessee Public Utility Commission
c/o Sharla Dillion, Dockets and Records Manager
502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

Re: TPUC Docket No. 17-00108

Ms. Dillion:

Pursuant to the Commission's order at the January 16, 2018 conference, enclosed are Tennessee Water Service, Inc.'s revised and new tariff pages for filing in the above-captioned docket and effective for bills rendered on or after January 16, 2018.

As required, an original of this filing, along with four (4) hard copies, will follow. Should you have any questions concerning the enclosed, please do not hesitate to let me know.

Very truly yours,

BAKER, DONELSON, BEARMAN,
CALDWELL & BERKOWITZ, PC

s/ Ryan Freeman

Ryan Freeman

Enclosures

cc: Karen Stachowski, (VIA EMAIL)
Karen.Stachowski@ag.tn.gov

RAF/scs

Applies to Chalet Village North

WATER SERVICE

METERED SERVICE

Base Facility Charge per month

0 – 1000 gallons usage per month

Effective January 16, 2018: \$25.70 I

All usage over 1000 Gallons per month \$13.30 per 1000 gallons

DELAYED PAYMENT CHARGE:

An additional charge amounting to ten per cent (10%) of net bill will be added to all water bills under the foregoing schedule, if not paid within twenty-one (21) days of the billing date.

NEW ACCOUNT CHARGE:

Each new account shall pay a one-time service fee of \$20 at the time application for service is filed with the Company.

RECONNECTION CHARGE:

If water service cut off by utility for good cause: \$35.00

If water service discontinued at customer's request: \$35.00

(Customers who ask to be reconnected within 9 months of disconnection will be charged the base facility charge for the service period they were disconnected.)

FREQUENCY OF BILLING:

Bills will be rendered monthly in arrears.

NSF CHECK CHARGE:

A charge of \$10 will be applied to customers whose check is returned by the bank due to non-sufficient funds (one charge per check each time it is returned).

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Month Day YearIssued by Matthew Klein
Name of OfficerPresident
Title4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
Address of Officer

(Name of Company)

Cancelling _____ Sheet No. _____

Applies to Chalet Village North
(Name of City)

Operational Cost Pass-Through Mechanism

Section I. APPLICABILITY

The Interim Emergency Operational Costs Pass-Through Mechanism ("IEOCPTM") will apply to active customers of the Company.

The IEOCPTM will be calculated on a semi-annual basis with the resulting surcharge being filed with the Tennessee Public Utility Commission within Docket No. 17-00108 fifteen days prior to applying the pass-through costs to active customer bills.

Section II. DEFINITIONS

1. **"Active Customer"** - a customer that has access to the water distribution system with an active account and is currently being billed for water consumption at the time of the assessment of any increase/decrease of the Company's pass-through costs.

2. **"Adjusted Review Period IEOCPTM Costs"** - means the Review Period IEOCPTM Costs net of the Over-Under Collection Adjustment.

3. **"Base Period"** - means the six month period of January 1, 2017 to June 30, 2017.

4. **"Base Period IEOCPTM Costs"** - means the amount of expenses of the Company for purchased power expense and purchased water expense during the Base Period.

5. **"Consumer Advocate"** - means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

6. **"IEOCPTM Surcharge Rate"** - means the total amount per Active Customer bills to be recovered through the IEOCPTM.

7. **"Over-Under Collection Adjustment"** - means the adjustment to the IEOCPTM Surcharge Rate applicable to the coming Review Period for the net amount of over or under collections for the prior Review Period.

8. **"Review Period IEOCPTM Costs"** - means the amount of actual annual expenses of the Company for purchased power expenses and purchased water expenses during the applicable Review Period.

9. **"Review Period"** - means the six month period on which the Review Period IEOCPTM Costs are calculated.

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Tennessee Water Service Inc.

(Name of Company)

Original Sheet No. 14

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Operational Cost Pass-Through Mechanism

Section III. GENERAL DESCRIPTION

The IEOCPTM requires the collection of actual purchased water and purchased power costs from the Company's customers, subject to water loss cap adopted by the TPUC. The objective of this mechanism is to collect rates reflecting actual costs incurred such that increases or decreases in costs are reflected in the surcharge.

Review Period IEOCPTM Costs are to separately identifiable on the Company's books and segregated into the following general accounts:

Accounts 610 for - Purchased Water Expense;
Accounts 615 for - Purchased Power Expense.

The costs recorded in these accounts, and eligible for recovery in the IEOCPTM surcharge, shall be limited to third-party invoiced costs for purchased water and purchased power costs.

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Operational Cost Pass-Through Mechanism

Section IV. DETERMINATION OF PASS-THROUGH COST PERCENTAGE

- (A) The IEOPTM Surcharge Rate shall be expressed as a dollar figure to be applied to the Company's Active Customers bills, as a distinct line item on the bill, for a period of six months following an IEOPTM Surcharge Rate calculation.
- (B) The IEOPTM Surcharge Rate shall be calculated on a semi-annual historical basis as follows:
- $$\begin{aligned} &\text{Base Period IEOPTM Costs} \\ &\text{Divided by Base Period Sales Volume in 100 Gallons} \\ &= \text{Base Period IEOPTM Costs per 100 Gallons} \end{aligned}$$
- $$\begin{aligned} &\text{Review Period IEOPTM Costs Subject to TPUC's Water Loss Limits} \\ &\text{Plus Over-Under Collection Adjustment} \\ &= \text{Review Period IEOPTM Costs Adjusted for Over-Under Collections} \\ &\text{Divided by Review Period Sales Volume In 100 Gallons} \\ &= \text{Adjusted Review Period IEOPTM Costs per 100 Gallons} \end{aligned}$$
- $$\begin{aligned} &\text{Change in IEOPTM Costs per 100 Gallons} \\ &\text{Multiplied by Review Period Sales Volume per 100 Gallons} \\ &= \text{Net Deferred IEOPTM Costs} \\ &\text{Divided by Total Gallons Sold (100 Gallons) During Review Period} \\ &= \text{IEOPTM Surcharge Rate per 100 Gallons} \end{aligned}$$
- (C) The IEOPTM Surcharge Rate shall apply to Active Customer bills for the six months following the submission of the above calculation to TPUC Staff and the Consumer Advocate.

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Operational Cost Pass-Through Mechanism

Section V. COMPUTATION OF THE OVER-UNDER COLLECTION ADJUSTMENT

The Company will identify and record the total amount of the IEOPTM Surcharge Rate collected from Active Customer during the six month period following the calculation as defined in Section IV. The difference between total IEOPTM Surcharge Rate collected and the total Net Deferred IEOPTM Costs authorized for the Review Period, as adjusted for Interest, shall constitute the Over-Under Collection Adjustment.

(A) The Over-Under Adjustment shall be computed as follows:

Total IEOPTM Costs Collected from Customers for the Review Period
Less Total Deferred IEOPTM Costs Authorized for Review Period
 = Subtotal of Over-Under Collection Adjustment
Plus Interest Adjustment
 = Total Over-Under Collection Adjustment

(B) Computation of Interest Adjustment.

Interest shall be computed as follows:

Subtotal of Over-Under Collection Adjustment
Multiplied by (Interest Rate Multiplied by 50%) Interest Adjustment
 = Interest Adjustment

Where "Interest Rate" equals the prime rate value published in the Federal Reserve Bulletin or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

Section VI. NEW BASE RATES

The IEOPTM Surcharge Rate will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the semi-annual costs that had theretofore been recovered under the IEOPTM Surcharge Rate or after a period of six months from the submission of the calculation in Section IV to TPUC and the Consumer Advocate.

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Operational Cost Pass-Through Mechanism

Section VII. SEMI-ANNUAL FILING

The Company will file its first IEOCPTM Calculation following the six month period of January 1, 2018, through June 30, 2018 (the "First Review Period"). The filing shall be verified by an officer of the Company. The IEOCPTM Surcharge Rate will become effective 30 days after the semi-annual filing is submitted to TPUC and shall be applied as an adjustment to Active Customers' bills for the six month period following the effective date of the IEOCPTM Surcharge Rate. The Company shall file one adjustment each six months to include both the new IEOCPTM Surcharge Rate based on the semi-annual production expense and the reconciliation of the Over-Under Collections Adjustment.

The Company will include in its semi-annual filing the following information at a minimum: (a) a schedule of all Review Period IEOCPTM Costs, including any related general ledger support; (b) actual billing determinants by month as used in the computation of the IEOCPTM Surcharge Rate Collected from Customers; (c) a computation of the IEOCPTM Surcharge Rate, including the detailed calculation of each component; (d) a schedule of any proposed prior period adjustments; (e) an affirmative statement of whether the Company is aware of any changes in market conditions that may affect whether the IEOCPTM Surcharge Rate is still in the public interest, including the identification of such factors if they exist; (f) the cumulative amount of IEOCPTM Surcharge Rate Costs collected from Customers under this mechanism; (g) the actual invoices received from the Company's wholesale water and power suppliers, respectively; and (h) such other information as TPUC may direct.

The Company will simultaneously copy the Consumer Advocate on this semi-annual filing.

Section VIII. NOTICE REQUIREMENTS

The Company will file revised tariffs for TPUC approval upon 30 days' notice to implement a decrement or an increment to the IEOCPTM Surcharge Rate. Along with the tariff filing, the Company will include a copy of the computation of the new IEOCPTM Surcharge Rate. The Company will simultaneously copy the Consumer Advocate on this tariff filing.

Section IX. PUBLIC INTEREST REVIEW

Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this cost pass-through mechanism, as permitted by law and the rules and regulations of TPUC, for a reconsideration of whether it remains in the public interest.

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