



851 Aviation Parkway
Smyrna, TN 37167

July 10, 2018

Docket No. 18-00073

Chairman David Jones
c/o Sharla Dillon
Tennessee Public Utilities Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: Revised Tariff Pages

Dear Chairman Jones,

For decades, water and wastewater companies like Tennessee Wastewater Systems, Inc. were not required to pay income tax on contributions in aid of construction (CIAC). The law changed upon the passage of the Tax Cuts and Jobs Act of 2017 and water and wastewater utilities are now required to record CIAC as income and pay corporate income taxes on the contributions. Enclosed for filing are revised tariff pages with an effective date of August 3, 2018 which reflect the change in the law and TWSI's approach to the collection and recording of CIAC.

An original and four (4) copies will follow this filing. Should you have any questions or require any additional information, please do not hesitate to contact me.

Kind regards,

Jeff Risdien
General Counsel

WASTEWATER UTILITY SERVICE

Extension Plan

The Company may furnish sewer service to property owners whose lands abut the Main Line of existing sewer systems. The sewer service charges listed in the sewer billing monthly rates do not include costs for constructing extensions to the sewer system. Any sewer system facilities required to service such abutting properties shall be constructed at the cost of those parties desiring same, and these facilities shall become the property of the Company, to be credited to the account for Contributions in Aid of Construction. In addition, treatment system facility costs will be paid by the Customer desiring to connect onto the system. Sewer service to new areas within a service territory will be made available where it is technically feasible, and the developer or property owner is willing to bear the expense of designing and building the sewer system.

Contributions in Aid of Construction

Sewer system facilities furnished by developers and property owners to the Company will be recognized as Contributions in Aid of Construction in the amount of the actual cost of construction. Capital contributions from developers will be treated in a like manner.

For all cash and property contributions provided to the company, a gross-up factor shall (C) be applied in order to recover the corporate federal income taxes associated with those contributions. The formula used to gross up contributed cash and property is as follows:

WASTEWATER UTILITY SERVICE

Tax Impact = $TR / (1-TR) * (C+P)$

TR = Marginal tax rate of federal corporate income tax.

C = Dollar amount of charges (cash) paid to the utility as a contribution.

P = Dollar amount of property (plant, land...) conveyed to the utility to be recorded at the construction cost of the property conveyed to the utility.

Example 1:

Developer donates \$500,000 cash to utility to build a specified facility.

Using a 21% federal corporate tax rate, developer owes the utility federal income taxes of:

$.21 / (1-.21) * \$500,000$, or $.2658 * \$500,000 = \$132,900$

In total, developer owes utility \$632,900 (\$500,000 cash + \$132,900 in federal corporate income taxes).

Example 2:

Developer donates \$500,000 in plant and land to utility as a contribution.

Using a 21% federal corporate tax rate, developed owes the utility federal income taxes of:

$.21 / (1-.21) * \$500,000$, or $.2658 * \$500,000 = \$132,900$

For the contributed property, developer owes the utility \$132,900 in corporate federal income taxes for the \$500,000 in property contributed.

Annual Reporting Requirements for Contributions In Aid of Construction (C)

Utility shall file calculations with its Annual Report detailing: (1) the individual amounts of cash and property contributions received for the twelve months ending December 31 (“reporting year”); (2) the location and description of contributed plant; (3) the location and property deed of donated land; (4) amount of cash contributed for each project; (5) the calculation of the utility’s tax liability using the tariffed formula for the reporting year, separated by amounts related to property and cash; and (6) the amount of federal corporate income taxes actually collected on contributions in aid of construction for the reporting year.

WASTEWATER UTILITY SERVICE

Contracts for Service (M)*

Each customer before installation of service shall be required to execute,
on the appropriate forms furnished by the Company, a Sewer Subscription Contract.

Customer Billing Forms (M)**

Customer billings will vary by location.

In most instances, monthly bills will be sent to customers
for payment of a flat monthly fee. In cases where pass through treatment costs are involved, a
monthly bill will be sent to the customer and be based on the gallons of water used.

Public Contact (M)**

Charles Hyatt
851 Aviation Parkway
Smyrna, TN 37167
Phone - 615-220-7202

Tennessee Public Utility Commission Regulations (M)**(T)

The Company, in its operation, shall conform to all the applicable rules and regulations
promulgated from time to time by the Tennessee Public Utility Commission. The TPUC can be (T)
reached by phone at 1-800-342-8359 or 615-741-2904.

* Moved from Section 2, Original Page 8

** Moved from Section 2 Second Revised Page 9

Issued: July 9, 2018
Issued By: Charles Hyatt
President

Effective: August 3, 2018