

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:

**APPLICATION OF TENNESSEE
WATER SERVICE, INC. FOR
ADJUSTMENT OF RATES AND
CHARGES, APPROVAL OF A
QUALIFIED INFRASTRUCTURE
INVESTMENT MECHANISM, AND
MODIFICATIONS TO CERTAIN
TERMS AND CONDITIONS FOR THE
PROVISION OF WATER SERVICE.**

DOCKET NO. 19-00028

**DIRECT TESTIMONY
OF
DANTE M. DeSTEFANO**

**ON BEHALF OF
TENNESSEE WATER SERVICE, INC.**

February 28, 2019

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 **A.** My name is Dante M. DeStefano, and my business address is 4494 Parkway Plaza
3 Boulevard, Suite 375, Charlotte NC 28217.

4 **Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 **A.** I am Financial Planning and Analysis Manager for Tennessee Water Service, Inc. (“TWS”
6 OR “Company”) in Tennessee and for Carolina Water Service of North Carolina
7 ("CWSNC"), both of which are subsidiaries of Utilities, Inc. (“UP”).

8 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

9 **A.** I have been employed by CWSNC since October 2018. I graduated from Rutgers
10 University with a Major in Accounting and am a Certified Public Accountant in the state
11 of New Jersey. Prior to joining CWSNC, I was employed by American Water Works for
12 10 years - first as a Senior Accountant in the Accounting Department for two years, then
13 in the Rates and Regulatory Department for eight years. During my last eight years with
14 American Water, my duties consisted of preparing and assisting in regulatory filings and
15 related activities for the Eastern Division. My responsibilities included preparing work
16 papers and exhibits, providing testimony in support of rate applications and other
17 regulatory filings, and addressing rate and tariff related matters.

18 **Q. WHAT ARE YOUR DUTIES WITH TENNESSEE WATER SERVICE, INC.?**

19 **A.** My primary responsibilities include forecasting, budgeting, and financial analysis for the
20 Company. I am also responsible for the oversight of gathering data and preparation of
21 rate cases, filing applications for rate cases, and providing data request responses for
22 support of rate case filings.

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

2 **A.** The purpose of my testimony is 1) to explain the preparation and structure of the filed
3 exhibits and schedules, 2) identify the historical test year and attrition year, 3) detail the
4 impacts of the Company's 2017 Emergency Petition and the Tax Cuts and Jobs Act
5 ("TCJA"), 4) explain the Company's plan for implementing the proposed revenue
6 requirement, 5) describe the pro-forma adjustments to rate base, 6) summarize the pro-
7 forma capital structure, and 7) discuss updates to the TWS tariff, including the proposed
8 Qualified Infrastructure Investment Program ("QIIP").

9 **Q. PLEASE DETAIL THE COMPANY'S SUPPORTING EXHIBITS AND**
10 **SCHEDULES IN THIS FILING.**

11 **A.** The Company's general rate case filing includes the following exhibits:

12 **Exhibit 1 – Income Statement**

13 **Exhibit 2 – Rate Base**

14 **Exhibit 3 – Balance Sheet**

15 **Exhibit 4 – Capital Structure and Retention Factor**

16 **Exhibit 5 –Rate Base Return**

17 **Exhibit 6 – Total Revenue Requirement**

18 **Exhibit 7 – Proposed Tariff**

19 **Exhibit 8 – Testimony of Catherine E. Heigel**

20 **Exhibit 9 – Testimony of J. Bryce Mendenhall**

21 **Exhibit 10 – Testimony of Dante M. DeStefano**

22 **Exhibit 11 – Testimony of Anthony Gray**

Exhibit 12 – Testimony of Jared Deason

The Company submits the following schedules to support its filing:

Schedule A – Pro-Forma Present and Proposed Revenues, Rate Design, and Customer Bill Comparisons

Schedule B – Pro-Forma Plant Additions

Schedule C – Pro-Forma Plant ADIT

Schedule D – Pro-Forma Deferred Charges

Schedule E – 2017 and 2018 Operating Losses

Schedule F – Return on Replacement Capital Investment

Schedule G – Pro-Forma O&M Expense Adjustments

Schedule H – Pro-Forma Purchased Water Expense

Schedule I – Pro-Forma Salary & Wages, Payroll Taxes

Q. PLEASE EXPLAIN THE CALCULATION OF THE COMPANY’S PROPOSED REVENUE REQUIREMENT.

A. TWS utilizes the rate base-rate of return method for computing its revenue requirement. This means that the proposed rate of return is multiplied by the pro-forma rate base to obtain an operating income level. Then, operating expenses are added to the computed operating income, and income tax and other operating gross-ups are calculated to determine the required revenue level, or revenue requirement, to produce the calculated operating income. The Company has included the new federal income tax rate of 21%, the Tennessee state income tax rate of 6.5%, the 0.425% regulatory fee, and an uncollectible expense rate in the gross-up formula.

1 **Q. PLEASE DESCRIBE THE COMPANY’S TEST YEAR AND ATTRITION YEAR**
2 **IN THIS PROCEEDING.**

3 **A.** The Company is utilizing a Test Year of the twelve months ending September 30, 2018.
4 TWS selected this Test Year period for several reasons. First, the Company selected a
5 period that would allow for adequate time between the end of the Test Year and the rate
6 case filing date to review historical activity and identify the nature and level of pro-forma
7 adjustments. Additionally, TWS recognizes that much of its activities since the
8 November 2016 Wildfire (the "Wildfire") are not necessarily representative of
9 normalized operations for its water system, and therefore a significant amount of pro-
10 forma adjustment would be required to any selected Test Year period. The Company
11 endeavored to reflect a normalized level of operating expenses for its revenue
12 requirement, which is better demonstrated by pre-Wildfire levels of expenses versus post-
13 Wildfire expenses. Thus, utilizing a twelve-month period ending September 30th allowed
14 historical twelve-month periods ending September 30th that occurred before the Wildfire
15 to be leveraged for per-customer pro-forma determinations, without the “noise” of
16 Wildfire-influenced activities.

17 The Company is utilizing an Attrition Year of the twelve months ending
18 December 31, 2020 in this proceeding. A vital factor in the Company’s selection of this
19 Attrition Year period is the ability to include projected customer reconnections that can
20 be used for supporting pro-forma present rate revenue levels. Identifying a reasonable
21 pro-forma customer count into the next calendar year boosts the present revenue levels
22 due to anticipated further customer reconnections, which helps mitigate the per-customer

1 impact of the proposed revenue requirement to be borne by the customer base. In
2 addition, utilizing a calendar year Attrition Year period allows a natural, clean flow to the
3 Company's proposed rate phase-in plan, as well as management of the proposed QIIP
4 mechanism, existing Operational Cost Pass-Through Mechanism, and filing of required
5 periodic reports.

6 **Q. PLEASE EXPLAIN TWS'S BOOK ADJUSTMENTS ON EXHIBIT 1.**

7 **A.** The Company removed the accrual of 2017 Operating Losses from Miscellaneous
8 Revenues, as this amount is requested to be amortized to the income statement in this
9 proceeding. TWS also removed \$1,820 from Maintenance and Repair expense related to
10 tank painting amortizations that will conclude before the Attrition Year. Salaries &
11 Wages and Operating Expense Charged to Plant included a one-time adjustment for labor
12 that occurred prior to the Test Year and thus was removed from the respective Test Year
13 book amounts.

14 **Q. PLEASE SUMMARIZE THE COMPANY'S 2017 EMERGENCY PETITION,**
15 **INCLUDING THE KEY AUTHORIZED PROVISIONS PER THE TPUC.**

16 **A.** On September 25, 2017, TWS filed a petition seeking emergency relief in the form of
17 three monthly surcharges, an operational cost pass-through mechanism, and a deferral of
18 costs and uncollectible revenues for potential future recovery. The deferral components
19 consisted of operating losses beginning in 2017, returns on capital projects to restore the
20 water system from its Wildfire damage incurred, and filing and processing costs related
21 to the petition.

1 The Commission Final Order was issued February 21, 2018. The Order
2 authorized certain deferrals and other actions for TWS: 1) deferral of actual operating
3 losses incurred, beginning January 1, 2017, 2) deferral of return on capital projects
4 necessary to repair Wildfire damage and restore the water system to operational status, 3)
5 deferral of up to \$30,000 of reasonable and necessary rate filing expenses, 4) increase of
6 the TWS monthly base charge per active customer from \$18.70 to \$25.70, 5)
7 establishment of an Interim Emergency Operational Cost Pass-Through Mechanism
8 (“IEOCPTM”) to address increases or decreases in costs for purchased water and power,
9 6) requirement to file a base rate case petition by July 1, 2019.

10 **Q. HOW HAS TWS CONSIDERED THESE PROVISIONS IN THIS FILING?**

11 **A.** The Company is filing the current base rate case request in order to comply with the
12 required filing of a general rate case by July 1, 2019. The pro-forma present rate
13 revenues are calculated using the \$25.70/month base charge as authorized in the 2017
14 petition. TWS has also calculated the operating losses for 2017 and 2018, as well as the
15 return on replacement asset additions as of their respective in-service dates, net of
16 retirements and accumulated depreciation. These regulatory asset balances, as well as the
17 costs incurred for the filing and processing of the 2017 petition, are proposed to be
18 amortized over five years. Please see Schedules D, E, and F for more detail on these
19 deferral calculations.

20 As the operating loss calculations have effectively captured increased costs for
21 purchased water and power, the Company has yet to submit a filing for the IEOCPTM.

Please see the proposed tariff, beginning on Sheet No. 13, for the Company's requested modifications to the IEOPTM.

Q. WHAT IS THE PROPOSED REVENUE REQUIREMENT FOR TWS?

A. The Company proposes a revenue requirement of \$469,767, an increase of 177% over pro-forma present rate revenues of \$169,323.

Q. PLEASE DESCRIBE HOW TWS PLANS TO IMPLEMENT THE PROPOSED REVENUE REQUIREMENT?

A. In an effort to mitigate the initial impact of the proposed revenue requirement on customers, the Company proposes to initiate a three-year rate plan phase-in, which would break up the revenue increase into three rate changes, effective each January 1st for 2020, 2021, and 2022. The Company also requests that 2019 operating losses be deferred, and 60 days after new base rates are effective January 1, 2020 the Company will file its 2019 operating loss calculation in order to initiate a temporary surcharge, effective July 1, 2020. Please see Schedule A for the pro-forma present rate revenues and proposed phase-in rate design and revenues, as well as a comparison of average customer bills.

Q. PLEASE EXPLAIN THE PRO-FORMA ADJUSTMENTS TO RATE BASE.

A. The Company has reflected continued depreciation of the Test Year end depreciable plant and continued amortization of the Test Year end Contributions in Aid of Construction, through the mid-point of the Attrition Year. In addition, the Cash Working Capital balance was adjusted to reflect 1/8th of the pro-forma expense levels. Pro-forma plant additions, net of retirements, accumulated depreciation and accumulated deferred income taxes, are included as pro-forma adjustments to rate base. Please see Schedules B and C

1 for the list of pro-forma projects and resulting calculated rate base adjustments. Pro-
2 forma plant additions consist of service lines, meters, and meter installations due to
3 projected continued reconnections to the mid-point of the Attrition Year, as well as two
4 booster station projects that will be completed after the end of the Test Year and an
5 upgraded SCADA system.

6 **Q. PLEASE EXPLAIN THE IMPACTS TO THE COMPANY OF THE TAX CUTS**
7 **AND JOBS ACT.**

8 **A.** On December 22, 2017, President Donald Trump signed into law the Federal Tax Cuts
9 and Jobs Act, or TCJA. The most impactful portion of the TCJA was the reduction of the
10 federal corporate tax rate from 35% to 21%. This portion not only impacts the current
11 tax rate for corporations but also impacts the deferred income taxes recorded on the
12 Company's books prior to the TCJA. The second significant component of the TCJA is
13 the fact that contributed plant is now treated as a form of income and subject to the
14 corporate income tax.

15 The Company has reflected the 21% federal tax rate in this filing where
16 applicable for purposes of computing revenue requirement. In addition, the Company
17 remeasured its Accumulated Deferred Income Tax Liability as of December 31, 2017,
18 with the excess deferred balance due to the tax rate change reclassified as a regulatory
19 liability. This excess deferred balance consists of what the Internal Revenue Service
20 ("IRS") tax code refers to as "protected" (i.e., subject to tax normalization rules) and
21 "unprotected" deferrals. The Company has thus computed an amortization period of 59
22 years for the protection portion of the excess deferred balance consistent with IRS

1 normalization rules, and proposes a five year amortization for the unprotected portion,
2 consistent with the regulatory asset deferral amortization proposals described earlier in
3 my testimony.

4 In addition, the Company proposes to update tariff Sheet No. 1.1 for
5 Contributions in Aid of Construction, to reflect the change in effective federal income tax
6 rate at 21% as stated in the TCJA. Please see Exhibit 7 for the proposed TWS tariff.

7 **Q. WHAT IS THE COMPANY’S PROPOSED CAPITAL STRUCTURE?**

8 **A.** The Company’s filing includes a 50%/50% split for long-term debt and equity. This ratio
9 is consistent with the recent history of the TWS’s parent, Utilities, Inc. TWS is a wholly
10 owned subsidiary of UI, which raises capital for its subsidiaries. Accordingly, adopting
11 UI’s capital structure to determine the overall cost of capital for TWS is appropriate. As
12 shown in Exhibit 4, the Company is utilizing a pro-forma cost of long-term debt of
13 5.04%, and proposing a return on equity of 10.50%. The capital structure results in a rate
14 of return of 7.77% and pre-tax rate of return of 9.63%.

15 **Q. WHAT CHANGES DOES THE COMPANY PROPOSE TO THE EXISTING TWS**
16 **TARIFF, IN ADDITION TO THOSE REFERENCED ABOVE?**

17 **A.** The Company proposes changing certain language on Sheet Nos. 5, 7, and 11 related to
18 metered service and fire service to more accurately reflect the required building codes
19 and nature of service TWS provides to the Chalet Village system.

20 TWS also proposes certain changes to Sheet No. 13 through 17 to modify the
21 language and calculations of the IEOPTM, authorized in Docket No. 17-000108. First,
22 the Company recommends removing “Interim Emergency” from the mechanism’s name,

1 in order to utilize the mechanism on a going-forward basis after new base rates and
2 authorized expense levels are effective. Likewise, the Company proposes to modify the
3 language related to Base Period and Base Period OCPTM Costs on Sheet No. 13. This
4 change would allow the authorized expense levels in this proceeding to be utilized for
5 reconciliation with actual Review Period expenses on a going-forward basis. The
6 Company has modified the first paragraph on Sheet No. 17 accordingly to reflect the
7 updated reconciliation process.

8 The Company has also included in the proposed tariff Sheet No. 18 through 25,
9 related to the proposal of a QIIP rider. The QIIP proposal is explained later in my
10 testimony.

11 **Q. PLEASE EXPLAIN THE TWS PROPOSAL TO IMPLEMENT A QIIP RIDER.**

12 **A.** Per Tennessee Code Ann. §65-5-103, Section D, “(T)he commission is authorized to
13 implement alternative regulatory methods to allow for public utility rate reviews and cost
14 recovery in lieu of a general rate case proceeding before the commission.” As such, and
15 with knowledge of a similar existing mechanism authorized in Docket No. 13-00130, the
16 Company hereby requests establishment of a Qualified Infrastructure Investment
17 Program, or QIIP, in this proceeding.

18 There are several reasons the Company is requesting this mechanism. First,
19 although the Company has completed several significant improvements and
20 rehabilitations to the water system since the Gatlinburg Fire, we continue to review and
21 assess areas to generate efficiencies in our system operations. As such, a mechanism that
22 allows for recovery between rate cases for investment in asset improvements that are

1 otherwise recoverable in general rate cases is beneficial for customers, regulators, and the
2 Company. The QIIP mechanism would allow the Company to complete crucial projects
3 without requiring a labor and resource-intensive general rate case to facilitate recovery.
4 Additionally, the eligible projects in the Company's proposed QIIP reflect the
5 investments TWS anticipates may be needed as it continues to review the performance of
6 its water system. Implementing a QIIP facilitates recovery on an incremental basis,
7 outside of a general rate case, which will benefit customers by smoothing the rate effects
8 of the changing cost of service over a longer period, as opposed to a larger, single rate
9 increase as would otherwise occur with a base case. The QIIP also provides an incentive
10 to the Company to address its water system's needs timely, with lesser concern for
11 regulatory lag. Finally, in no way is the Commission's statutory review and approval of
12 charges mitigated by the proposed QIIP – beyond the initial review and approval of
13 planned projects, a subsequent annual filing of charges billed to customers versus actual
14 capital deployed would be required, allowing for a thorough review of the activity of the
15 mechanism and a reconciliation of any over/under-recoveries.

16 Please see the proposed tariff rider, beginning on Sheet No. 18, for the
17 calculation, filing, and implementation process for the proposed QIIP mechanism.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

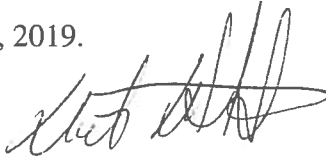
19 **A.** Yes, it does. However, I reserve the right to update or amend this testimony upon receipt
20 of additional data or other information that may become available.

STATE OF North Carolina)

County of Mecklenburg)

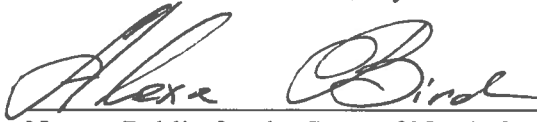
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DATED this 27th day of February, 2019.



Dante DeStefano

SUBSCRIBED AND SWORN TO before me this 27 day of February, 2019.



Notary Public for the State of North Carolina



Tennessee Water Service
Docket No. 19-_____
Summary of Rate Case Adjustments
Test Year: September 30, 2018

Exhibit 1

Income Statement

Water Operations	Total Per Books	Per Books Adjustment	Per Books Adjusted	Pro-Forma Adjustment	Pro-forma Adjusted Under Present Rates	Proposed Increase	Proposed After Increase
Operating Revenues							
Service Revenues - Water	86,298.54	-	86,298.54	83,024.91	169,323.45	300,443.55	469,767.00
Uncollectible Accounts	(600.88)	-	(600.88)	(578.09)	(1,178.97)	(2,091.93)	(3,270.90)
Total Operating Revenues	181,015.88	(95,318.22)	85,697.66	82,446.83	168,144.49	298,351.62	466,496.10
Maintenance Expenses							
Salaries and Wages	15,652.19	-	15,652.19	1,997.01	17,649.20	-	17,649.20
Purchased Power	2,811.57	-	2,811.57	5,855.51	8,667.08	-	8,667.08
Purchased Water / Sewer	68,275.33	-	68,275.33	48,661.28	116,936.61	-	116,936.61
Maintenance and Repair	50,585.01	(1,820.00)	48,765.01	1,407.97	50,172.98	-	50,172.98
Maintenance Testing	1,172.38	-	1,172.38	735.48	1,907.86	-	1,907.86
Meter Reading	-	-	-	-	-	-	-
Chemicals	43.80	-	43.80	197.27	241.07	-	241.07
Transportation	7,004.76	-	7,004.76	(7,002.53)	2.23	-	2.23
Operating Exp. Charged to Plant	(12,716.29)	9,617.00	(3,099.29)	-	(3,099.29)	-	(3,099.29)
Outside Services - Other	33,345.21	-	33,345.21	(26,903.22)	6,441.99	-	6,441.99
Total	166,173.96	7,797.00	173,970.96	24,948.76	198,919.72	-	198,919.72
General Expenses							
Salaries and Wages	15,549.16	(9,617.00)	5,932.16	(312.09)	5,620.07	-	5,620.07
Office Supplies & Other Office Exp.	2,711.62	-	2,711.62	223.27	2,934.89	-	2,934.89
Regulatory Commission Exp.	2,320.50	-	2,320.50	19,370.96	21,691.46	-	21,691.46
Pension & Other Benefits	4,639.83	-	4,639.83	2,240.13	6,879.96	-	6,879.96
Rent	1,466.88	-	1,466.88	567.61	2,034.49	-	2,034.49
Insurance	1,838.88	-	1,838.88	1,540.08	3,378.96	-	3,378.96
Office Utilities	811.24	-	811.24	1,559.11	2,370.35	-	2,370.35
Miscellaneous	4,176.78	-	4,176.78	59,919.78	64,096.56	-	64,096.56
Total	33,514.89	(9,617.00)	23,897.89	85,108.86	109,006.75	-	109,006.75
Depreciation	27,999.15	-	27,999.15	9,669.95	37,669.10	-	37,669.10
Payroll Taxes	410.15	-	410.15	1,529.47	1,939.62	-	1,939.62
Franchise Tax	1,791.87	-	1,791.87	-	1,791.87	-	1,791.87
Gross Receipts Tax	3.05	-	3.05	-	3.05	-	3.05
Property Taxes	15,139.36	-	15,139.36	-	15,139.36	-	15,139.36
Utility/Commission Tax	18.40	(18.40)	-	-	-	1,983.00	1,983.00
Income Taxes - Federal	-	-	-	(38,526.71)	(38,526.71)	55,227.18	16,700.47
Income Taxes - State	-	-	-	(12,753.94)	(12,753.94)	18,282.49	5,528.55
Amortization of ITC	(48.17)	-	(48.17)	-	(48.17)	-	(48.17)
Amortization of CIAC	(15,119.37)	-	(15,119.37)	-	(15,119.37)	-	(15,119.37)
Total	30,194.44	(18.40)	30,176.04	(40,081.23)	(9,905.19)	75,492.67	65,587.48
Total Operating Expenses	229,883.29	(1,838.40)	228,044.89	69,976.39	298,021.28	75,492.67	373,513.95
Net Operating Income	(48,867.41)	(93,479.82)	(142,347.23)	12,470.43	(129,876.80)	222,858.95	92,982.15

Tennessee Water Service
Docket No. 19-____
Summary of Rate Case Adjustments
Test Year: September 30, 2018

Exhibit 2

Water Operations
Rate Base and Rate of Return

Line No.	Description	Total Per Books	Per Books Adjustment	Per Books Adjusted	Pro-Forma Adjustment	Adjusted Under Present Rates	Proposed Increase	Proposed After Increase
		[a]	[b]	[c]	[d]	[e]	[f]	[g]
1.	Net Operating Income	(48,867)	(93,480)	(142,347)	12,470	(129,877)	222,859	92,982
2.	Gross Plant In Service	1,845,378	-	1,845,378	-	1,845,378	-	1,845,378
3.	Accumulated Depreciation	(459,598)	-	(459,598)	(54,325)	(513,922)	-	(513,922)
4.	Net Plant In Service	1,385,780	-	1,385,780	(54,325)	1,331,455	-	1,331,455
5.	Cash Working Capital	24,961	(228)	24,734	7,675	32,408	-	32,408
6.	Contributions In Aid of Construction	(659,969)	-	(659,969)	26,623	(633,347)	-	(633,347)
7.	Accumulated Deferred Income Taxes	(54,013)	-	(54,013)	(5,431)	(59,444)	-	(59,444)
8.	Excess Deferred Taxes	(99,031)	-	(99,031)	1,359	(97,671)	-	(97,671)
9.	Pro Forma Plant	-	-	-	623,285	623,285	-	623,285
10.	Total Rate Base	597,728	(228)	597,501	599,186	1,196,687	-	1,196,687
11.	Return on Rate Base	-8.18%		-23.82%		-10.85%		7.77%

Tennessee Water Service
Docket No. 19-_____
Summary of Rate Case Adjustments
Test Year: September 30, 2018

Exhibit 3

Balance Sheet

ASSETS:	\$	LIABILITIES AND OTHER CREDITS	\$
Plant In Service:		Capital Stock and Retained Earnings:	
Water	1,845,378	Common Stock and Paid In Capital	263,878
		Retained Earnings	173,832
Total	1,845,378	Total	437,709
Accumulated Depreciation-Water	(459,598)	Current and Accrued Liabilities:	
		Accounts Payable	129,858
		Taxes Accrued	9,864
Total	(459,598)	Customer Deposits	0
		Customer Deposits - Interest	2
		A/P - Assoc. Companies	110,158
Net Utility Plant	1,385,780	Deferred Revenue	0
		Total	249,883
Construction Work In Process-Water	373,403	Contributions In Aid of Construction:	
		Water	659,969
Total	373,403	Total	659,969
Current Assets:		Accumulated Deferred Income Tax:	
Cash	0	Unamortized ITC	1,694
Accounts Receivable - Net	(501,917)	Deferred Tax - Federal	44,583
Other Current Assets	0	Deferred Tax - State	9,430
Total	(501,917)		
Deferred Charges	146,002	Total	55,707
TOTAL ASSETS	1,403,268	TOTAL LIABILITIES AND OTHER CREDITS	1,403,268

Tennessee Water Service
Docket No. 19-_____
Summary of Rate Case Adjustments
Test Year: September 30, 2018

Exhibit 4

Capital Structure and Retention Factor

Line No.	Item	Capital Structure	Cost Rates	Retention Factor	Gross Revenue Effect
		(A)	(B)	(C)	(D)
	<u>Rate Base Factor - Water Operations</u>				
1	Debt	50.00%	5.04%	0.995750	0.025308
2	Equity	50.00%	10.50%	0.735511	0.071379
3	Total	100.00%			0.096687
4					
10		Water			
11		Operations			
12		(E)			
13	<u>Net Income Factor:</u>				
14	Total revenue	1.000000			
15	Gross receipts tax (L14 x statutory rate)	0.000000			
16	Regulatory fee (L14 x .425%)	0.004250			
17	Balance (L14 - L15 - L16)	0.995750			
18	State income tax (L14 x 6.50%)	0.064724			
19	Balance (L17- L18)	0.931026			
20	Federal income tax (L19 x 21%)	0.195515			
21	Retention factor (L19 - L20)	0.735511			

Column Calculations:

[A]- Company's capital structure

[B]- Company's cost of debt and required return on equity

[C]- Column [E] Line 17, and 21 respectively

[D]- Column [A] multiplied by Column [B] divided by Column [C]

Tennessee Water Service
Docket No. 19-_____
Summary of Rate Case Adjustments
Test Year: September 30, 2018

Exhibit 5

Rate Base Return

Water Operations						
Line No.	Description	Capitalization Ratio	Original Cost Rate Base	Embedded Cost	Overall Cost Rate	Net Operating Income
		(a)	(b)	(c)	(d)	(e)
1	<u>Present Rates:</u>					
2	Debt	50.00%	298,750	5.04%	2.52%	\$15,057
3	Equity	50.00%	298,751	10.50%	5.25%	\$31,369
4	Total	100.00%	\$597,501		7.77%	\$46,426
	<u>Company Proposed Rates:</u>					
5	Debt	50.00%	598,343	5.04%	2.52%	\$30,156
6	Equity	50.00%	598,344	10.50%	5.25%	\$62,826
7	Total	100.00%	\$1,196,687		7.77%	\$92,983

Tennessee Water Service
Docket No. 19-_____
Summary of Rate Case Adjustments
Test Year: September 30, 2018

Exhibit 6

Total Revenue Requirement

Line No.	Water Operations Description	Amount [A]	Retention Factor [B]	Revenue Requirement [C]
	<u>Operating revenue deductions:</u>			
1	Maintenance expenses	\$198,919.72		
2	General expenses	109,006.75		
3	Depreciation expense	37,669.10		
4	Amortization of CIAC	(15,119.37)		
5	Amortization of ITC	(48.17)		
6	TOTI	18,873.90		
7	Total operating revenue deductions	<u>349,301.93</u>	0.995750	\$ 350,793.00
8	<u>Net operating income for a return:</u>			
9	Debt service return	30,156.49	0.995750	30,285.00
10	Equity return	62,826.09	0.735511	85,418.00
11	Adjustment for production credit	0	0.735511	0
12				
13	Adjustment for revenues not subject to GRT	0	0.995750	<u>0</u>
14				
15	Revenue requirement			466,496.00
16				
17	Gross Up - Uncollectible Expense		0.007000	<u>3,265.00</u>
18				
19	Total Revenue Requirement			<u>\$ 469,761.00</u>
20				

TENNESSEE WATER SERVICE, INC.

SCHEDULE OF RATES

FOR

WATER SERVICE

Applying to the following Territory:

Chalet Village North, City of Gatlinburg, Sevier County, Tennessee

Issued: 1 16 2018
Month Day Year

Effective: 1 16 2018
Month Day Year

Issued by: Matthew Klein
Name of Officer

President
Title

4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
Address of Officer

TENNESSEE WATER SERVICE

SEVENTH SHEET NO. 1
 CANCELLING SIXTH SHEET NO. 1

Applies to: Chalet Village North

WATER SERVICE

METERED SERVICE

Base Facility Charge per month
 0 – 2,000 gallons usage per month

Effective January 1, 2020:	\$50.00
Effective January 1, 2021:	\$74.00
Effective January 1, 2022:	\$95.00

All usage over 2,000 Gallons per month

Effective January 1, 2020:	\$16.50 per 1,000 gallons
Effective January 1, 2021:	\$19.00 per 1,000 gallons
Effective January 1, 2022:	\$20.65 per 1,000 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).

Issued: TBD
 Month Day Year

Effective: TBD
 Month Day Year

Issued by: _____
 Name of Officer

President
 Title

 4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
 Address of Officer

Applies to: Chalet Village North

PRIVATE FIRE SERVICE**FIXED SERVICE CHARGE**

Standby Charge per month	<u>Multi-Use Connection</u>	<u>Fire-Only Connection</u>
Effective January 1, 2020:	\$11.33	\$22.67
Effective January 1, 2021:	\$24.00	\$48.00
Effective January 1, 2022:	\$35.80	\$71.60

All usage will be billed:

Effective January 1, 2020:	\$16.50 per 1,000 gallons
Effective January 1, 2021:	\$19.00 per 1,000 gallons
Effective January 1, 2022:	\$20.65 per 1,000 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.

RECONNECTION CHARGE:

If private fire service cut off by utility for good cause: \$35.00
 If private fire service discontinued at customer's request: \$35.00

FREQUENCY OF BILLING:

Bills will be rendered monthly in arrears. Fire service meters will be read concurrent and included in a single monthly bill with regular water service.

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).

Issued: TBD
 Month Day Year

Effective: TBD
 Month Day Year

Issued by: _____
 Name of Officer

President
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 4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
 Address of Officer

TENNESSEE WATER SERVICE

THIRD SHEET NO. 1.1
 CANCELLING SECOND SHEET NO. 1.1

Applies to: Chalet Village North

WATER AND FIRE SERVICE

CONTRIBUTIONS IN AID OF CONSTRUCTION

ADVANCES IN AID OF CONSTRUCTION

All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility, in an amount equal to 35.38% of the contribution or advance ($1 / (1 - (6.5\% + (21\% \times (1 - 6.5\%))))$), where 6.5% equals the state income tax rate and 21% equals the federal income tax rate. The contribution or advance will be equal to the "original cost" if in the form of property or face value if in the form of cash.

Issued: TBD
 Month Day Year

Effective: TBD
 Month Day Year

Issued by: _____
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President
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4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
 Address of Officer

Applies to: Chalet Village North

RULES, REGULATIONS AND CONDITIONS OF SERVICE

Section I. DEFINITIONS

Company – The word "Company", whenever the same appears herein, means Tennessee Water Service, Inc., a Tennessee corporation.

Owner – The word "Owner", whenever the same appears herein, means the person, firm, corporation or association having the sole interest in any premises or property which is, or is about to be, supplied with water service by the Company, and the word "Owners" means all so interested.

Tenant – The word "tenant", whenever the same appears herein, means anyone occupying a premises or property under lease, oral or written, from the Owner and obtaining water service from the mains of the Company with the consent of his landlord.

Customer – The word "Customer" as used herein shall mean the party contracting for water service.

Section II. WATER SERVICE CONNECTIONS

1. All applications for water service connections must be made in writing on forms furnished by the Company by the person or parties desiring the same, must state the correct lot(s), block and street number of the property to be supplied, and must be signed by the Owner of the premises or his duly authorized agent.

2. A service pipe shall not be used to supply more than a single property without the consent of the Company. The minimum earth cover of the Customer's service pipe installation shall be four (4) feet.

3. Service pipes will not be installed where any portion of the pipes must pass through lands, buildings or parts of buildings which are not the property of applicant unless applicant- in writing assumes the liability therefor.

Issued: 10 4 2009
 Month Day Year

Effective: 11 3 2009
 Month Day Year

Issued by: Lawrence N. Schumacher
 Name of Officer

CEO
 Title

2335 Sanders Road, Northbrook, Illinois 60062
 Address of Officer

Applies to: Chalet Village North

RULES, REGULATIONS AND CONDITIONS OF SERVICE

4. Applications for the service will be accepted subject to there being a Company main adjacent to the property to be served.

5. The Company will repair all leaks in the service pipe from the main up to and including the meter. Beyond the meter box, the Property Owner is responsible for all leaks, and the same must be repaired by him, and if such leaks are not repaired within a reasonable time, the water may be turned off.

Section III. APPLICATIONS FOR SERVICE

6. All applications for water service must be made on written forms provided by the Company. Upon acceptance thereof and payment to Company of any Commission-approved tap-on fee, such applications shall constitute a contract between the applicant as a Customer and the Company.

7. A new application must be made upon any change in tenancy where the tenant has contracted for the water service or by the new Owner upon any change in ownership where the Owner has contracted for water service. Where more than one tenant is supplied through a meter, the application for the water service must be made by the Owner of the property.

8. When an application is made, the Company reserves the right to require a deposit in cash commensurate with the probable size of the applicant's bill for the purpose of establishing or maintaining any Customer's credit. Any such deposit so made shall be subject to such terms and conditions as may be required by order of regulation of the Tennessee Public Service Commission.

9. No contract for water service will be entered into by the Company with any applicant until all arrears and charges due by such applicant for water service to any premises then or theretofore owned or occupied by him shall have been paid.

Issued: 10 4 2009
Month Day Year

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Month Day Year

Issued by: Lawrence N. Schumacher
Name of Officer

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Title

2335 Sanders Road, Northbrook, Illinois 60062
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RULES, REGULATIONS AND CONDITIONS OF SERVICE

16. Where a meter has ceased to register or is registering improperly, the quantity of water for which the bill will be rendered will be determined by the average registration of the meter for the prior three (3) billing periods.

2335 Sanders Road, Northbrook, Illinois 60062
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Applies to: Chalet Village North

RULES, REGULATIONS AND CONDITIONS OF SERVICE**Section V. RULES GOVERNING SERVICE**

17. When the supply of water is to be temporarily shut off, advance notice will be given by the Company when practicable to all Customers affected by the shutting off, stating the probable duration of the interruption of service.

18. The Company will not permit its mains or services to be connected. on any premises with any service pipe or piping which is connected with any other source of supply. The Company will not permit its mains or services to be connected in any way to any piping, tank, vat or other apparatus which contains liquids, chemicals or any other matter which may flow back into the Company's service pipes or mains.

19. The Company undertakes to use reasonable care and diligence to provide a constant supply of water at a reasonable pressure but reserves the right at any time, without notice, to shut off the water in its mains for the purpose of making repairs or extensions or for other purposes.

20. The Company shall not be liable for a deficiency or failure, regardless of cause, in the supply of water or in the pressure nor for any damage caused thereby or by the bursting or breaking of any main or service pipe or any attachment to the Company's property. All applicants having boilers upon their premises depending upon the pressure in the Company's pipes to keep them supplied are cautioned again t danger of collapse, and all damage occasioned by any such collapse must be borne exclusively by the Customer.

21. The Company shall require all new Customers who require both regular water service and fire protection per applicable local, state, or federal building codes to submit a request to the Company for either a multi-use service (private fire and regular water) or a separate dedicated fire service line to be installed, solely at the Company's cost. The nature of the private fire service (dedicated fire or multi-use line) will be governed by applicable building codes for the premise type.

22. The Company shall have the sole right to determine the size of meters, number of meters, valves, service lines and connections necessary to give the service applied for.

Issued: TBD
Month Day Year

Effective: TBD
Month Day Year

Issued by: _____
Name of Officer

President
Title

4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
Address of Officer

Applies to: Chalet Village North

RULES, REGULATIONS AND CONDITIONS OF SERVICE

23. All use of water for any purpose or upon any premises not stated or described in the application must be prevented by the Customer.

24. Service may be discontinued for any of the following reasons:

- (a) For the use of water from Customer's facilities for any other property or purpose than that described in the application.
- (b) For waste of water due to leakage.
- (c) For tampering with or damaging any service pipe, meter, meter installation, stop cock valve, buffalo box, meter seal or other property of the Company.
- (d) For non-payment of bills for water service or any other charges of the Company.
- (e) For cross-connecting the Company's supply with any other source of supply, or with any apparatus which may endanger the quality or health standard of the Company's water supply.
- (f) For refusal of reasonable access to property for the purpose of inspecting, reading, repairing or removing meters.
- (g) For violation or refusal to comply with any of the rules and regulations of the Company filed with the Tennessee Public Service Commission.

Issued: 10 4 2009
 Month Day Year

Effective: 11 3 2009
 Month Day Year

Issued by: Lawrence N. Schumacher
 Name of Officer

CEO
 Title

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Applies to: Chalet Village North

RULES, REGULATIONS AND CONDITIONS OF SERVICE

25. If a Customer whose service has been discontinued for non-payment of bills or for violation of the rules and regulations of the Company desires a reconnection, such reconnection will only be made after the Customer:

- (a) has made a deposit to ensure future payment of bills (in cases only where no deposit was originally made or where such deposit has been applied to payment of the Customer's delinquent account);
- (b) has paid all unpaid bills and other charges;
- (c) has paid a reconnection fee of fifteen dollars (\$15.00)
- (d) and has corrected any condition found objectionable under the rules and regulations of the Company.

26. Automatic lawn sprinklers or sprays or other attachments requiring large quantities of water will be permitted only when water is furnished by meter measurement. The Company reserves the right to restrict lawn sprinkling by Customers whenever in its judgment there is not an adequate supply of water available for such purposes.

27. A supply of water for construction or other special purposes must be applied for in writing and the Company reserves the right to require a suitable deposit from the applicant. Water so supplied shall be discharged through a hose or pipe directly upon the material to be wet or into a barrel or other container and not upon the ground or into or through a ditch or trench, and all use of water by other than the applicant or for any purposes or upon any premises not described or stated in the application must be prevented by the applicant.

Section VI. METERED SERVICE

28. Meters, except detector devices, shall be installed, maintained and renewed by and at the expense of the Company and shall be conveniently located at a place approved by the Company, and such proper place and protection for the meter shall be provided by the applicant. A stop and waste or gate valve shall be placed on the service line on the street side of and near the meter, and a stop and waste or gate valve on the house side of such meter.

Issued: TBD
Month Day Year

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Applies to: Chalet Village North

RULES, REGULATIONS AND CONDITIONS OF SERVICE

29. All meters placed in building shall be located in the basement or on the first floor, as near as possible to the point of entrance of the service, in clean, dry, safe place not subject to great variation in temperature and so located as to be easily accessible for installation or disconnection purposes and for reading.

30. Meters will be maintained by the Company as far as ordinary wear and tear are concerned, but damage due to freezing, hot water or external causes shall be paid for by the Customers (except for outside meter settings).

31. Rules and regulations regarding meter accuracy, meter testing and frequency of meter tests shall be as contained in the Tennessee Public Service Commission's Rules and Regulations Governing Public Utilities as from time to time revised.

Section VII. FIRE HYDRANTS

32. No person other than a Company agent or employee shall take water from any fire hydrant except for fire-fighting purposes, and no fire hydrant shall be used for sprinkling streets, flushing sewers or gutters or for any other purpose except with the advance approval of the Company in writing.

Section VIII. GENERAL CONDITIONS OF SERVICE

33. Where water is to be used for steam boilers or other uses where a stoppage of water supply might cause damage, Customers are cautioned that it is impossible for the Company to guarantee a continuous supply of water and that the Customer should, therefore, arrange for adequate storage capacity.

34. The Company will not be obliged to furnish service where service pipes are inferior, the plumbing defective or the fixtures, water closets or other fixtures leaky. When such conditions are discovered, the Company reserves the right to shut off the supply of water unless immediate repairs are made.

Issued: 10 4 2009
 Month Day Year

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 Month Day Year

Issued by: Lawrence N. Schumacher
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CEO
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2335 Sanders Road, Northbrook, Illinois 60062
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Applies to: Chalet Village North

RULES, REGULATIONS AND CONDITIONS OF SERVICE

35. Title to the main, service connections from the main up to and including the meter, stop cocks or valves, buffalo boxes, meters and meter installations is vested in the Company, and these shall at all times remain the sole property of the Company and shall not be trespassed upon or interfered with in any way.

36. Curb stops shall not be used by the Customer for turning on or shutting off the water supply. Control of the water supply by the Customer shall be by means of a valve located inside the building where the Customer is provided with water service.

37. Where two or more Customers are supplied through a single service pipe, any violation of the rules and regulations of the Company by either or any of such Customers shall be considered as a violation by all, and the Company may take such action as may be taken for a single Customer committing the violation.

38. All employees of the Company whose duty compels them to enter the Customer's premises shall, upon request, show their credentials or other evidence of authority.

39. If the Company finds that a meter seal or cover has been broken or any bypass inserted or there is evidence that the meter or meter seal or cover has been tampered with, the water will be shut off and not turned on again until the Customer has paid for the estimated quantity of water which has been used for the preceding four (4) month period and not registered plus the cost to restore the meter to proper working order and other expense incurred by the Company, plus the reconnection fee hereinabove specified.

Issued: 10 4 2009
 Month Day Year

Effective: 11 3 2009
 Month Day Year

Issued by: Lawrence N. Schumacher
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2335 Sanders Road, Northbrook, Illinois 60062
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RULES, REGULATIONS AND CONDITIONS OF SERVICE

* Note in (b) and (c) capacities shall be in accordance with conditions given in Standard A.S.E.E. Testing and Rating Codes.

2335 Sanders Road, Northbrook, Illinois 60062
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Applies to: Chalet Village North

RULES, REGULATIONS AND CONDITIONS OF SERVICE**Section X. WATER FOR PRIVATE FIRE PROTECTION AND SPECIAL USES**

42. It is specifically understood that the Company does not hold itself out to render private fire protection service for purposes of extinguishment.

Section XI. PUBLIC FIRE PROTECTION SERVICE

43. The Company does not hold itself out to furnish public fire protection service.

Section XII. DAMAGE TO COMPANY PROPERTY

44. In case of damage to the Company's property on the Customer's premises and/or damage to the buffalo box installation on the service connection to the customer, including obstruction, burying and filling thereof, the cost of repair shall be billed to and paid by the customer in accordance with the applicable schedules of rates and of rules, regulations and conditions of service pertaining to the payment of water bills.

Section XIII. CHANGES IN RULES AND REGULATIONS

45. The Company reserves the right at any time to alter, amend, change or add to these rules, regulations and conditions of service or to substitute other rules and regulations, subject to the approval of the Tennessee Public Service Commission or other regulatory body having jurisdiction thereof.

46. No representative, employee or agent of the Company has the right to alter or waive any of these rules, regulations or conditions of service without the consent or approval of the Tennessee Public Service Commission or other regulatory body having jurisdiction thereof.

Section XIV. MAIN EXTENSION POLICY

47. Any person requesting water service from Company to an area not then served by water mains will be required to pay the entire cost of a water main extension to such area. The Company will require person applying to hire contractors and pay contractors directly for main installation. Company must approve the design, main size and route of main to be installed, and Company's representatives will inspect all work for construction standards and compliance with proper procedures related to water main installation.

Issued: TBD
Month Day Year

Effective: TBD
Month Day Year

Issued by: _____
Name of Officer

President
Title

4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
Address of Officer

Applies to: Chalet Village North

Operational Costs Pass-Through Mechanism

Section XIX. APPLICABILITY

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

The OCPTM will be calculated on a semi-annual basis with the resulting surcharge being filed with the Tennessee Public Utility Commission ("TPUC") within Docket No. 19-_____ fifteen days prior to applying the pass-through costs to active customer bills.

Section XX. 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 OCPTM Costs"** - means the Review Period OCPTM Costs net of the Over-Under Collection Adjustment.

3. **"Base Period"** - means the relevant six-month period within the attrition year of the most recent base rate case that aligns with the calendar months of the Review Period.

4. **"Base Period OCPTM Costs"** - means the amount of expenses of the Company for purchased power expense and purchased water expense authorized in its last base rate case for the Base Period.

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

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

7. **"Over-Under Collection Adjustment"** - means the adjustment to the OCPTM 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 OCPTM 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 OCPTM Costs are calculated.

Issued: TBD Effective: TBD
Month Day Year Month Day Year

Issued by: _____ President
Name of Officer Title

4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
Address of Officer

Applies to: Chalet Village North

Operational Costs Pass-Through Mechanism

Section XXI. GENERAL DESCRIPTION

The OCPTM 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 OCPTM 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 OCPTM surcharge, shall be limited to third-party invoiced costs for purchased water and purchased power costs.

Issued: TBD Effective: TBD
Month Day Year Month Day Year

Issued by: _____ President
Name of Officer Title

4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
Address of Officer

Applies to: Chalet Village North

Operational Costs Pass-Through Mechanism

Section XXII. DETERMINATION OF PASS-THROUGH COST PERCENTAGE

- (A) The OCPTM 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 OCPTM Surcharge Rate calculation.
- (B) The OCPTM Surcharge Rate shall be calculated on a semi-annual historical basis as follows:
- $$\begin{aligned} &\text{Base Period OCPTM Costs} \\ &\text{Divided by Base Period Sales Volume in 1000 Gallons} \\ &= \text{Base Period OCPTM Costs per 1000 Gallons} \end{aligned}$$
- $$\begin{aligned} &\text{Review Period OCPTM Costs Subject to TPUC's Water Loss Limits} \\ &\text{Plus Over-Under Collection Adjustment} \\ &= \text{Review Period OCPTM Costs Adjusted for Over-Under Collections} \\ &\text{Divided by Review Period Sales Volume In 1000 Gallons} \\ &= \text{Adjusted Review Period OCPTM Costs per 1000 Gallons} \end{aligned}$$
- $$\begin{aligned} &\text{Change in OCPTM Costs per 1000 Gallons} \\ &\text{Multiplied by Review Period Sales Volume per 1000 Gallons} \\ &= \text{Net Deferred OCPTM Costs} \\ &\text{Divided by Total Gallons Sold (1000 Gallons) During Review Period} \\ &= \text{OCPTM Surcharge Rate per 1000 Gallons} \end{aligned}$$
- (C) The OCPTM 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.

Issued: TBD Effective: TBD
 Month Day Year Month Day Year

Issued by: _____ President
 Name of Officer Title

4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
 Address of Officer

Applies to: Chalet Village North

Operational Costs Pass-Through Mechanism

Section XXIII. COMPUTATION OF THE OVER-UNDER COLLECTION ADJUSTMENT

The Company will identify and record the total amount of the OCPTM Surcharge Rate collected from Active Customer during the six month period following the calculation as defined in Section XXII. The difference between total OCPTM Surcharge Rate collected and the total Net Deferred OCPTM 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 OCPTM Costs Collected from Customers for the Review Period
Less Total Deferred OCPTM 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 XXIV. NEW BASE RATES

The OCPTM 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 OCPTM Surcharge Rate or after a period of six months from the submission of the calculation in Section XXII to TPUC and the Consumer Advocate.

Issued: TBD Effective: TBD
 Month Day Year Month Day Year

Issued by: _____ President
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4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
 Address of Officer

Applies to: Chalet Village North

Operational Costs Pass-Through Mechanism

Section XXV. SEMI-ANNUAL FILING

The Company will file its OCPTM Calculation following the first six month period after new base rates are effective (the "First Review Period"). The filing shall be verified by an officer of the Company. The OCPTM 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 OCPTM Surcharge Rate. The Company shall file one adjustment each subsequent six months to include both the new OCPTM 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 OCPTM Costs, including any related general ledger support; (b) actual billing determinants by month as used in the computation of the OCPTM Surcharge Rate Collected from Customers; (c) a computation of the OCPTM 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 OCPTM Surcharge Rate is still in the public interest, including the identification of such factors if they exist; (f) the cumulative amount of OCPTM 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 XXVI. NOTICE REQUIREMENTS

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

Section XXVII. 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.

Issued: TBD Effective: TBD
 Month Day Year Month Day Year

Issued by: _____ President
 Name of Officer Title

4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217
 Address of Officer

Applies to: Chalet Village North

Qualified Infrastructure Improvement Program

Section XXVIII. APPLICABILITY

In addition to the other charges provided for in this tariff, a qualified infrastructure improvement program ("QIIP") rider will apply to customers in all service areas. The above rider will be recomputed annually and be adjusted periodically to incorporate the annual reconciliation factor.

Section XXIX. DEFINITIONS

For the purposes of this rider:

"Actual QIIP Investment Amount" means the amount of actual capital investment of the company for the qualified infrastructure improvement program and not otherwise included in current base rates. At the time of the company's next general rate case proceeding, all prudently incurred actual QIIP investment amounts associated with this rider shall be included in base rates.

"Annual Reconciliation Factor" means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the budget-to-actual adjustment and 2) the over-under collection adjustment, as adjusted for interest.

"Annual Review Period" means the twelve-month period between the annual adjustments of the QIIP percentage rate.

"Commission" or "TPUC" means the Tennessee Public Utility Commission.

"Budget-to-Actual Adjustment" means the adjustment to QIIP for the applicable coming annual period due to the difference between the forecasted QIIP investment amount and the actual QIIP investment amount.

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

"Forecasted QIIP Investment Amount" means the amount of forecasted capital investment of the Company for the Qualified Infrastructure and Investment Program and not otherwise included in current base rates.

"Over-Under Collection Adjustment" means the adjustment to QIIP for the applicable coming annual period due to the net amount of over or under collections.

"Relevant Rate Order" means the final order of the Commission in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

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Section XXX. GENERAL DESCRIPTION

QIIP allows the Company to recover outside of a rate case its qualifying incremental non-revenue-producing plant infrastructure investment. For purposes of this Rider, qualifying QIIP investment includes the following:

Distribution Infrastructure - Replacement distribution and transmission mains and valves installed as replacements for existing facilities, reinforcement of existing facilities or otherwise ensuring reliability of existing facilities; Hydrants, Services, Meters and Meter Installations- installed as in-kind replacements, reinforcements or ensuring reliability of existing facilities; Unreimbursed funds related to capital projects to relocate facilities required by governmental highway projects; Capitalized tank repairs and maintenance that serve to replace, reinforce, or otherwise ensure reliability of existing facilities.

Production and Pumping Infrastructure - Replacement of water treatment facilities and equipment installed as replacements for existing facilities, reinforcement of existing facilities or otherwise ensuring reliability of existing facilities; Raw Water and Finished Water pumping equipment and structures installed as replacements, reinforcements or otherwise ensuring reliability of existing facilities.

Other Infrastructure - Infrastructure designed to utilize alternative fuels.

QIIP Investment is to be identifiable on the Company's books and segregated into the following general accounts:

Account 331- Transmission & Distribution Mains;
 Account 333- Services;
 Account 334- Meters & Meter Installations;
 Account 335- Hydrants;
 Account 320- Water Treatment Equipment, Non-Media;
 Account 311 - Pumping Equipment;
 Account 303- Land and Land Rights;
 Account 304- Structures and Improvements;
 Account 306- Lake, River and Other Intakes;
 Account 307- Wells and Springs;
 Account 309- Supply Mains;
 Account 310- Power Generation Equipment
 Account 330- Distribution Reservoirs and Standpipes;
 Account 341- Transportation Equipment; and
 Account 2960- Capitalized Tank Painting

Section XXXI. DETERMINATION OF THE QIIP PERCENTAGE RATE

(A) The QIIP rate shall be expressed as a percentage carried to two (2) decimal places. The QIIP percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable tariff rates and charges.

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(B) The QIIP percentage shall be calculated on an annual prospective basis as follows:

FORECASTED QIIP Investment Amount

Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)

Less Contributions in Aid of Construction

Less Accumulated Depreciation

Less Accumulated Deferred Income Taxes

Net Forecasted QIIP Qualifying Investment

Multiplied by the Pre-Tax Rate of Return set forth in the Relevant Rate Order

Allowed Forecasted QIIP Pre-Tax Return

Plus Depreciation Expense

Plus Property Taxes

Plus Franchise Taxes

Subtotal Forecasted QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate

Plus Uncollectible Expense Rate

Plus Gross Receipts Tax Rate

Total Forecasted QIIP Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

QIIP Percentage Rate

Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

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Accumulated Deferred Income Taxes = An average of the forecasted accumulated deferred income taxes related to qualified forecasted QIIP investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of forecasted QIIP infrastructure.

Depreciation Expense = Forecasted cumulative qualified QIIP investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

Forfeited Discount Rate = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

Franchise Taxes = Forecasted cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

Gross Receipts Tax Rate = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

Property Taxes = Forecasted cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

QIIP Plant Retirements = Forecasted QIIP plant removed from service net of any associated cost of removal and salvage.

Forecasted QIIP Investment Amount = Average forecasted QIIP additions to plant infrastructure as described in Section XXXI, computed by use of average of 12 end-of-month balances.

Uncollectible Expense = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(C) The total amount to be recovered through the QIIP is the QIIP Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

Section XXXII. DETERMINATION OF THE ANNUAL RECONCILIATION FACTOR
PERCENTAGE RATE

(A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable tariff rates and charges.

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Qualified Infrastructure Improvement Program

(B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment
 Plus Over-Under Collection Adjustment
Plus Interest

Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate

(C) Computation of the Budget-to-Actual Adjustment

The Budget-to-Actual Adjustment will be computed as follows:

ACTUAL QIIP Investment Amount for the Annual Review Period
 Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)
 Less Contributions in Aid of Construction
 Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes

Net Actual QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual QIIP Pre-Tax Return
 Plus Depreciation Expense
 Plus Property Taxes
Plus Franchise Taxes

Subtotal Actual QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate
 Plus Uncollectible Expense Rate
 Plus Gross Receipts Tax Rate

Total Actual QIIP Revenue Requirement

Less Total Forecasted QIIP Revenue Requirement

Budget-to-Actual Adjustment

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Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

Accumulated Deferred Income Taxes = An average of the actual accumulated deferred income taxes related to actual QIIP investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of actual QIIP infrastructure.

Depreciation Expense = Actual cumulative qualified QIIP investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

Forfeited Discount Rate = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

Franchise Taxes = Actual cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

Gross Receipts Tax Rate = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

Property Taxes = Actual cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

QIIP Plant Retirements = Actual QIIP plant removed from service net of any associated cost of removal and salvage.

Actual QIIP Investment Amount = Average actual QIIP additions to plant infrastructure as described in Section XXXI, computed by use of average of 12 end-of-month balances.

Uncollectible Expense = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(D) Computation of the Over-Under Collection Adjustment

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The Company will identify and record the total amount of the QIIP Collected from Customers for the Annual Review Period. The difference between the Total QIIP Collected from Customers and the Total Budgeted QIIP Revenue Requirement shall constitute the Over-Under Collection Adjustment. This adjustment shall include any remaining Over/Under amount from the prior period reconciliation during the Annual Review Period.

(F) Computation of Interest.

Budget-to-Actual Adjustment

Plus Over-Under Collection Adjustment

Total Amount Subject to Interest

Interest Rate Multiplied by 50%

Total Interest

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 XXXIII. NEW BASE RATES

The QIIP rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the QIIP. Thereafter, only the costs of new QIIP eligible plant additions that have not previously been reflected in the Company's rate base would be reflected in new annual prospective QIIP filings.

Section XXXIV. ANNUAL QIIP PERCENTAGE RATE FILING

On or before December 1 of each year, the Company shall submit to the Commission a calculation of the QIIP Percentage Rate for the following calendar year. The Annual QIIP Percentage Rate Filing shall be verified by an officer of the Company. The Annual QIIP Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted QIIP Investment Amount, with such revenue adjustment applied through the QIIP Percentage Rate. The QIIP Percentage Rate shall become effective on January 1 of each year and be applied to Customers' bills for the remainder of the calendar year.

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The Company will include in its Annual QIIP Percentage Rate Filing the following information at a minimum: (a) computation of the QIIP Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted QIIP Investment Amount, (c) any related Strategic Capital Expenditures Plans, (d) a statement demonstrating how each projected capital investment comprising the Forecasted QIIP Investment Amount meets the requirements for recovery under this Rider set forth in Section XXXI, and (e) such other information as the Commission may direct. The Company will simultaneously copy the Consumer Advocate on its Annual QIIP Percentage Rate Filing.

Section XXXV. ANNUAL RECONCILIATION FILING WITH COMMISSION

On or before March 1 of each year, the Company shall submit to the Commission a reconciliation of the results of the operation of the QIIP for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this QIIP Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently incurred QIIP cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total QIIP Collected from Customers for the Annual Review Period, (c) computation of the Annual Reconciliation Factor Percentage 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 or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (f) the cumulative amount of QIIP collected from customers under this Rider, and (g) such other information as the Commission may direct. The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

Section XXXVI. NOTICE REQUIREMENTS

The Company will file revised tariffs for Commission approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

Section XXXVII. 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 Rider, as permitted by law and the rules and regulations of the Commission, for a reconsideration of whether it remains in the public interest.

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Tennessee Water Service

Schedule A

Docket No. 19-_____

Test Year Ended: September 30, 2018

Pro-Forma Present Rate Revenue - Attrition Year Ending 12/31/2020

WATER SERVICE

<u>Customer Bills</u>	<u>Avg Billed Usage/Mo *</u>	<u>Billable Usage*</u>	<u>Base Charge</u>	<u>TG Charge</u>	<u>Base Revenue</u>	<u>Usage Revenue</u>	<u>Total Revenue</u>
3,732	1,479	5,519,628	\$ 25.70	\$ 13.30	\$ 95,912.40	\$ 73,411.05	\$ 169,323.45

Pro-Forma Proposed Rate Revenue - Phase-in Year 1

WATER SERVICE

<u>Customer Bills</u>	<u>Avg Billed Usage/Mo *</u>	<u>Billable Usage*</u>	<u>Base Charge</u>	<u>TG Charge</u>	<u>Base Revenue</u>	<u>Usage Revenue</u>	<u>Total Revenue</u>
3,732	1,479	5,519,628	\$ 50.00	\$ 16.50	\$ 186,600.00	\$ 91,073.86	\$ 277,673.86

PRIVATE FIRE SERVICE

<u>Service Type</u>	<u>Customer Bills</u>	<u>Base Charge</u>	<u>Base Revenue</u>	<u>Total Revenue</u>
Multi-Use Line	36	\$ 11.33	\$ 408.00	\$ 408.00
Fire Only Line	-	\$ 22.67	\$ -	\$ -
Total Service Revenues				<u>\$ 278,081.86</u>

Pro-Forma Proposed Rate Revenue - Phase-in Year 2

WATER SERVICE

<u>Customer Bills</u>	<u>Avg Billed Usage/Mo *</u>	<u>Billable Usage*</u>	<u>Base Charge</u>	<u>TG Charge</u>	<u>Base Revenue</u>	<u>Usage Revenue</u>	<u>Total Revenue</u>
3,732	1,479	5,519,628	\$ 74.00	\$ 19.00	\$ 276,168.00	\$ 104,872.93	\$ 381,040.93

PRIVATE FIRE SERVICE

<u>Service Type</u>	<u>Customer Bills</u>	<u>Base Charge</u>	<u>Base Revenue</u>	<u>Total Revenue</u>
Multi-Use Line	36	\$ 24.00	\$ 863.99	\$ 863.99
Fire Only Line	-	\$ 48.00	\$ -	\$ -
Total Service Revenues				<u>\$ 381,904.92</u>

Pro-Forma Proposed Rate Revenue - Phase-in Year 3

WATER SERVICE

<u>Customer Bills</u>	<u>Avg Billed Usage/Mo *</u>	<u>Billable Usage*</u>	<u>Base Charge</u>	<u>TG Charge</u>	<u>Base Revenue</u>	<u>Usage Revenue</u>	<u>Total Revenue</u>
3,732	1,479	5,519,628	\$ 95.00	\$ 20.65	\$ 354,540.00	\$ 113,980.32	\$ 468,520.32

PRIVATE FIRE SERVICE

<u>Service Type</u>	<u>Customer Bills</u>	<u>Base Charge</u>	<u>Base Revenue</u>	<u>Total Revenue</u>
Multi-Use Line	36	\$ 35.80	\$ 1,288.79	\$ 1,288.79
Fire Only Line	-	\$ 71.60	\$ -	\$ -
Total Service Revenues				<u>\$ 469,809.11</u>

* First 2,000 gallons included in base charge.

Pro-Forma Proposed Rate Revenue - Bill Comparison

	Current		Phase-in Yr 1		Phase-in Yr 2		Phase-in Yr 3	
	Rate	Billed	Rate	Billed	Rate	Billed	Rate	Billed
WATER SERVICE								
Base Charge	\$ 25.70	\$ 25.70	\$ 50.00	\$ 50.00	\$ 74.00	\$ 74.00	\$ 95.00	\$ 95.00
Volume Charge - over 2 TG	13.30	19.67	16.50	24.40	19.00	28.10	20.65	30.54
State Tax	9.75%	4.42	9.75%	7.25	9.75%	9.95	9.75%	12.24
Total Bill		\$ 49.79		\$ 81.66		\$ 112.06		\$ 137.78
% Increase				64%		37%		23%
Total Revenue		\$ 169,323		\$ 277,674		\$ 381,041		\$ 468,520
Amount Increase				\$ 31.86		\$ 30.40		\$ 25.73

Tennessee Water Service
Docket No. 19-_____
Pro-Forma Adjustments
Test Year: September 30, 2018

Schedule B

Pro- Forma Plant Additions

Line No.	Project Description	NARUC Asset Account	In-Service Date	Cost thru 9/30/2018	Additional Costs to be Incurred	Total Cost	Retirements	A/D thru Attrition Year Midpoint 6/30/2020	Base thru Attrition Year Midpoint 6/30/2020
				[A]	[B]	[C]	[D]	[E]	[F]
1	Tank/Booster Station Rehab	304	1/31/2019	97,668	233,815	331,483	(8,000)	(7,458)	316,025
2	Well #1/Booster Station Rehab	304	3/31/2019	25,345	284,655	310,000	(65,000)	(5,813)	239,188
3	Reconnected Service Lines	333	various		9,479	9,479	(4,269)	(1,493)	3,717
4	Reconnected Meters/Installations	334	various		36,442	36,442	(15,471)	(5,740)	15,231
5	SCADA	346	4/30/2019		50,000	50,000	-	(875)	49,125
6						-	-		-
7									
8									
9	Total			123,013	614,392	737,404	(92,741)	(21,378)	623,285

Column Calculations:

[A]- Actual cost incurred for the project per Pro-Forma List
[B]- Additional cost to complete the project based on estimates
[C]- Sum of Column [A] & [B]
[D]- Amounts based on estimates
[E]- Amounts being included in rate base for current rate case
[F]- Sum of [C], [D], [E]

Tennessee Water Service
Docket No. 19-_____
Pro-Forma Adjustments
Test Year: September 30, 2018

Schedule C

Pro-Forma Plant ADIT

Line No.	Project Description	NARUC Asset Account	In-Service Date	Total Cost	Retirements	Net Additions	Annual Tax Depreciation	Annual Book Depreciation	Depreciation Difference thru 6/30/2020
				[A]	[B]	[C]	[D]	[E]	[F]
1	Tank/Booster Station Rehab	304	1/31/2019	331,483	(8,000)	323,483	12,939	4,852	(11,457)
2	Well #1/Booster Station Rehab	304	3/31/2019	310,000	(65,000)	245,000	9,800	3,675	(7,656)
3	Reconnected Service Lines	333	various	9,479	(4,269)	5,210	208	78	(114)
4	Reconnected Meters/Installations	334	various	36,442	(15,471)	20,971	839	315	(459)
5	SCADA	346	4/30/2019	50,000	-	50,000	2,000	750	(1,094)
6									
7									
8									
9									
10									
11	Total			<u>737,404</u>	<u>(92,741)</u>	<u>644,664</u>	<u>25,787</u>	<u>9,670</u>	<u>(20,779)</u>

Column Calculations:

[A]- Total cost for the project per Pro-Forma List

[B]- Amounts based on estimates

[C]- Sum of Columns [A] & [B]

[D]- Uses 4% MACRS

[E]- Based on current applicable depreciation rate

[F]- Difference of Columns [E] & [D]

Blended Tax Rate 26.14%
ADIT Adjustment (5,431)

Tennessee Water Service
Docket No. 19-____
Pro-Forma Adjustments
Test Year: September 30, 2018

Schedule D

Pro-Forma Deferred Charges

Line No.	Project Description	Cost thru 9/30/2018	Additional Costs to be Incurred	Total Cost	Amortization Months	Annual Amortization	Unamortized Balance at Attrition Year Midpoint 6/30/2020
		[A]	[B]	[C]	[D]	[E]	[F]
1	2017 Emergency Petition	48,757		48,757	(1)	9,751	43,882
2	2019 Rate Case		59,700	59,700	(1)	11,940	53,730
3	2017 Operating Losses	95,789	11,411	107,200	(2)	21,440	96,480
4	2018 Operating Losses	101,741	36,364	138,105	(2)	27,621	124,295
5	2019 Operating Losses			-	(3)	-	-
6	Return on Replacement Capital	20,501	60,696	81,197	(4)	16,239	73,078
7							
8							
9	1 total	<u>266,788</u>	<u>168,171</u>	<u>434,959</u>		<u>86,992</u>	<u>391,463</u>

2019 Rate Case

Travel	2,000	Hotel, Airfare for 2 employees, 2 trips each
Company Employees	30,300	600 hours
Legal - Baker Donelson	23,400	Outside Legal Counsel
Notices, Copies, Mailings	<u>4,000</u>	Required legal notices and office supplies
Total	59,700	

(1) Amortizations flow to Exhibit 1 - Regulatory Commission Expense

(2) See Schedule E

The Company proposes actual 2019 Operating Losses be compiled and filed with TPUC after the conclusion of this base rate case. Recovery of any losses will be

(3) recovered via a surcharge to be implemented on July 1, 2020, effective for 2 years.

(4) See Schedule F

Column Calculations:

[A]- Total cost incurred at Test Year End

[B]- Remaining cost post-Test Year to complete

[C]- Sum of Columns [A] & [B]

[D]- 5 year proposed amortization

[E]- Annual amortization of Column [C]

[F]- Column [C] less 6 months of amortization

Tennessee Water Service
Docket No. 19-_____
Operating Loss Summary - 2017 and 2018

Schedule E
Page 1 of 2

NARUC Start	NARUC End	Acct Description	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
461	461	Residential Sales	1,791	1,205	1,975	3,999	1,659	4,667	6,265	7,874	4,167	4,786	4,945	4,842
		Commercial Sales	0	0	0	0	0	0	0	0	0	0	0	0
470	474	Other Revenues	(374)	10	35	35	0	35	(0)	0	0	0	0	1,800
		Total Operating Revenues	1,417	1,215	2,010	4,034	1,659	4,702	6,265	7,874	4,167	4,786	4,945	6,642
601	601	Salaries & Wages - Employees	(789)	323	463	573	871	830	1,011	1,197	1,289	1,293	1,339	1,202
603	603	Salaries & Wages - Officers	13	20	28	32	36	41	44	48	49	52	53	58
604	604	Employee Pensions & Benefits	77	93	166	177	215	239	215	303	318	272	278	675
610	610	Purchased Water	8,859	(3,593)	3,785	(153)	1,500	662	2,559	2,039	4,454	(1,017)	1,542	7,776
615	615	Purchased Power	1,233	365	1,121	856	938	(4,576)	272	148	224	218	175	260
616	616	Fuel for Power Production	0	0	0	0	0	0	0	0	0	0	0	0
618	618	Chemicals	0	0	0	0	0	0	44	44	0	44	0	0
620	620	Materials & Supplies	0	0	0	1	1,703	0	0	0	0	0	0	1
630	636	Contractual Services	190	2,944	26	111	44	580	6,497	273	52	3,279	533	15,874
640	640	Rent	56	56	57	57	717	57	57	57	57	57	57	57
650	650	Transportation Expense	398	45	142	114	185	192	87	101	113	109	135	839
655	655	Insurance Expense	0	0	0	0	0	0	0	0	0	0	0	0
660	660	Advertising Expense	0	0	0	0	0	0	0	0	0	0	0	0
665	665	Regulatory Commission Expense	0	0	0	0	0	0	0	0	0	0	0	0
668	668	Water Resource Conservation	0	0	0	0	0	0	0	0	0	0	0	0
670	670	Bad Debt	42	1,143	533	286	3,019	(2,588)	(850)	(72)	17	266	(2)	17
675	675	Misc. Expense	2,598	4,428	5,087	4,325	3,680	4,537	4,616	4,703	4,231	3,698	5,127	5,396
		Total O&M Expense	12,678	5,824	11,409	6,377	12,908	(27)	14,553	8,841	10,802	8,271	9,239	32,157
403	403	Depreciation	2,261	2,269	2,278	2,289	2,293	2,347	2,296	2,291	2,293	2,298	2,306	2,308
407	407	Amortization	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)
		Total Depreciation	1,006	1,015	1,024	1,034	1,038	1,093	1,041	1,037	1,038	1,043	1,051	1,054
408	408	TOTI	962	965	997	1,343	372	1,234	1,028	1,035	1,037	1,045	1,048	345
		Operating Income/(Loss)	(13,229)	(6,588)	(11,419)	(4,720)	(12,659)	2,402	(10,357)	(3,038)	(8,711)	(5,573)	(6,393)	(26,914)
		Annual Income/(Loss)												(107,200)

Note: This schedule does not include accruals for deferral of operating losses. Residential Revenue includes \$7/month base charge increase per Docket 17-000108.

[illegible]

Calculation of Return on Replacement Capital Investment

NARUC Account		Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Addition:																				
	304	11,017.58	2,087.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	307	-	-	9,446.77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	311	-	33,355.10	27.16	-	374.00	-	378.00	-	-	-	-	-	-	3,716.10	-	-	-	-	-
	320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	330	-	31.23	-	3,400.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	983.62
	331	-	-	360.00	2,897.60	264.45	24.33	262.48	-	139.41	-	420.00	-	-	-	-	1,973.40	-	-	323.38
	333	-	-	270.00	2,019.00	2,513.12	0.01	-	-	-	-	216.99	2,077.04	155.11	2,100.00	-	-	658.68	-	-
	334	-	-	1,546.71	-	17,470.88	(0.13)	-	-	1,800.00	4,200.00	4,065.49	9,177.80	(0.06)	-	10,150.00	-	-	8,750.00	-
	335	-	-	37,092.12	19,504.72	2,000.00	5,900.00	-	14,700.00	10,066.34	-	-	7,000.00	529.47	-	-	-	-	-	-
	336	-	2,091.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	345	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	347	-	1,933.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retirement:																				
	304	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	307	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	311	-	(780.85)	-	-	-	-	-	-	-	-	-	-	-	(1,142.66)	-	-	-	-	-
	320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	331	-	-	(139.40)	(1,122.05)	(102.40)	(9.42)	(101.64)	-	(53.98)	-	(162.64)	-	-	-	-	(749.29)	-	-	(122.79)
	333	-	-	(124.07)	(927.76)	(1,154.81)	(0.00)	-	-	-	-	(99.71)	(954.43)	(71.28)	(945.83)	-	-	(296.67)	-	-
	334	-	-	(678.01)	-	(7,658.47)	0.06	-	-	(789.04)	(1,841.10)	(1,782.13)	(4,023.15)	0.03	-	(4,309.12)	-	-	(3,714.76)	-
	335	-	-	(13,965.04)	(7,343.45)	(752.99)	(2,221.33)	-	(5,534.49)	(3,789.94)	-	-	(2,635.47)	(199.34)	-	-	-	-	-	-
	336	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	345	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Addition:																				
	304	11,017.58	2,087.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	307	-	-	9,446.77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	311	-	32,574.25	27.16	-	374.00	-	378.00	-	-	-	-	-	-	2,573.44	-	-	-	-	-
	320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	330	-	31.23	-	3,400.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	983.62
	331	-	-	220.60	1,775.55	162.05	14.91	160.84	-	85.43	-	257.36	-	-	-	-	1,224.11	-	-	200.59
	333	-	-	145.93	1,091.24	1,358.31	0.01	-	-	-	-	117.28	1,122.61	83.83	1,154.17	-	-	362.01	-	-
	334	-	-	868.70	-	9,812.41	(0.07)	-	-	1,010.96	2,358.90	2,283.36	5,154.65	(0.03)	-	5,840.88	-	-	5,035.24	-
	335	-	-	23,127.08	12,161.27	1,247.01	3,678.67	-	9,165.51	6,276.40	-	-	4,364.53	330.13	-	-	-	-	-	-
	336	-	2,091.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	345	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	347	-	1,933.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Addition		11,017.58	38,717.61	33,836.24	18,428.06	12,953.77	3,693.51	538.84	9,165.51	7,372.79	2,358.90	2,658.00	10,641.79	413.93	3,727.61	5,840.88	1,224.11	362.01	5,035.24	1,184.21
Cummulative Net Addition		11,017.58	49,735.19	83,571.43	101,999.48	114,953.26	118,646.77	119,185.61	128,351.11	135,723.90	138,082.80	140,740.80	151,382.59	151,796.52	155,524.13	161,365.01	162,589.12	162,951.13	167,986.37	169,170.59
A/D		(13.77)	(75.94)	(180.41)	(307.90)	(451.60)	(599.90)	(748.89)	(909.33)	(1,078.98)	(1,251.58)	(1,427.51)	(1,616.74)	(1,806.48)	(2,000.89)	(2,202.60)	(2,405.83)	(2,609.52)	(2,819.50)	(3,030.97)
Cummulative Net Plant Addition		11,003.81	49,659.25	83,391.02	101,691.58	114,501.66	118,046.86	118,436.72	127,441.79	134,644.92	136,831.22	139,313.29	149,765.86	149,990.04	153,523.24	159,162.41	160,183.29	160,341.61	165,166.87	166,139.62
Pre-Tax ROR		0.73%	0.73%	0.73%	0.73%	0.73%	0.73%	0.73%	0.73%	0.73%	0.73%	0.73%	0.73%	0.73%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%
Return on Net Plant Additions		80.73	364.34	611.82	746.09	840.07	866.08	868.94	935.01	987.86	1,003.90	1,022.11	1,098.80	1,100.44	1,020.99	1,058.50	1,065.29	1,066.34	1,098.43	1,104.90
</																				

NARUC Account	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Balance at Rate Case Effective Date
Addition:																			
304	-	-	-				331,482.95		310,000.00										654,588.25
307	-	-	-																9,446.77
311	-	-	357.68																38,208.04
320	-	-	-																-
330	-	-	-																4,414.85
331	-	470.59	3,413.58																10,549.22
333	-	4,005.61	496.88	419.43	251.66	251.66	335.55	503.32	671.10	587.21	754.98	335.55	503.32	503.32	251.66	419.43	251.66	251.66	20,803.96
334	6,558.19	-	-	1,841.59	1,104.95	1,104.95	1,473.27	2,209.90	2,946.54	2,578.22	3,314.86	1,473.27	2,209.90	2,209.90	1,104.95	1,841.59	1,104.95	1,104.95	91,342.67
335	10,135.00	-	-																106,927.65
336	-	-	-																2,091.38
345	-	-	-																-
347	-	-	-																1,933.03
Retirement:																			
304	-	-	-				(8,000.00)		(65,000.00)										(73,000.00)
307	-	-	-																-
311	-	-	-																(1,923.51)
320	-	-	-																-
330	-	-	-																-
331	-	(178.68)	(1,296.12)																(4,038.41)
333	-	(1,804.11)	(223.79)	(188.91)	(113.35)	(113.35)	(151.13)	(226.69)	(302.26)	(264.48)	(340.04)	(151.13)	(226.69)	(226.69)	(113.35)	(188.91)	(113.35)	(113.35)	(9,436.15)
334	(2,784.24)	-	-	(781.83)	(469.10)	(469.10)	(625.47)	(938.20)	(1,250.93)	(1,094.57)	(1,407.30)	(625.47)	(938.20)	(938.20)	(469.10)	(781.83)	(469.10)	(469.10)	(39,307.44)
335	(3,718.67)	-	-																(40,160.74)
336	-	-	-																-
345	-	-	-																-
347	-	-	-																-
Net Addition:																			
304	-	-	-	-	-	-	323,482.95	-	245,000.00	-	-	-	-	-	-	-	-	-	581,588.25
307	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	9,446.77
311	-	-	357.68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,284.53
320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
330	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,414.85
331	-	291.91	2,117.46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,510.81
333	-	2,201.50	273.09	230.52	138.31	138.31	184.42	276.63	368.84	322.73	414.94	184.42	276.63	276.63	138.31	230.52	138.31	138.31	11,367.81
334	3,773.95	-	-	1,059.75	635.85	635.85	847.80	1,271.70	1,695.60	1,483.65	1,907.55	847.80	1,271.70	1,271.70	635.85	1,059.75	635.85	635.85	52,035.23
335	6,416.33	-	-																66,766.91
336	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,091.38
345	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,933.03
Total Net Addition	10,190.28	2,493.41	2,748.23	1,290.27	774.16	774.16	324,515.17	1,548.33	247,064.44	1,806.38	2,322.49	1,032.22	1,548.33	1,548.33	774.16	1,290.27	774.16	774.16	772,439.57
Cummulative Net Addition	179,360.86	181,854.27	184,602.50	185,892.77	186,666.94	187,441.10	511,956.27	513,504.60	760,569.04	762,375.43	764,697.92	765,730.14	767,278.47	768,826.80	769,600.96	770,891.24	771,665.40	772,439.57	
A/D	(3,255.17)	(3,482.49)	(3,713.24)	(3,945.60)	(4,178.94)	(4,413.24)	(5,053.19)	(5,695.07)	(6,645.78)	(7,598.75)	(8,554.62)	(9,511.78)	(10,470.88)	(11,431.91)	(12,393.91)	(13,357.53)	(14,322.11)	(15,287.66)	
Cummulative Net Plant Addition	176,105.70	178,371.78	180,889.26	181,947.17	182,488.00	183,027.86	506,903.09	507,809.54	753,923.26	754,776.68	756,143.30	756,218.36	756,807.59	757,394.89	757,207.05	757,533.71	757,343.29	757,151.91	
Pre-Tax ROR	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	
Return on Net Plant Additions	1,171.18	1,186.25	1,202.99	1,210.03	1,213.62	1,217.21	3,371.12	3,377.15	5,013.91	5,019.58	5,028.67	5,029.17	5,033.09	5,037.00	5,035.75	5,037.92	5,036.65	5,035.38	81,197.30

Tennessee Water Service

Schedule G

Docket No. 19-_____

Summary of Rate Case Adjustments

Test Year: September 30, 2018

Summary of O&M Pro-Forma Adjustments

Expense Category	Total Per Books Adjusted	3-Year Avg. of Years Ending 9/30/2014, 2015, 2016	With CPI Inflator Thru Attrition Year Mid-point (6/30/2020)	Pro-Forma Expense at Projected Customer Count	Additional Pro- Forma Adjustment	Pro-Forma Adjusted Under Present Rates
	[A]	[B]	[C]	[D]	[E]	[F]
Maintenance Expenses						
Purchased Power	2,811.57	14,609.80	15,717.01	8,667.08		8,667.08
Maintenance and Repair	48,765.01	4,599.81	4,948.41	2,728.78	47,444.20 [1]	50,172.98
Maintenance Testing	1,172.38	3,216.01	3,459.74	1,907.86		1,907.86
Chemicals	43.80	406.36	437.16	241.07		241.07
Transportation	7,004.76	3.75	4.04	2.23		2.23
Outside Services - Other	33,345.21	3,440.42	3,701.16	2,040.99	4,401.01 [2]	6,441.99
General Expenses						
Office Supplies & Other Office Exp.	2,711.62	2,520.60	2,711.62	2,934.89		2,934.89
Pension & Other Benefits	4,639.83	-		6,879.96		6,879.96
Rent	1,466.88	-		1,516.57	517.92 [3]	2,034.49
Insurance	1,838.88	-		3,378.96		3,378.96
Office Utilities	811.24	-		2,370.35		2,370.35
Miscellaneous	4,176.78	-		1,514.96	62,581.59 [4]	64,096.56

Column Calculations:

[A]- Company's Adjusted Book Amounts, per Exhibit 1

[B]- Average of historical expenses for the three years ending September 30, 2014, 2015, and 2016

[C]- CPI Index - Water and Sewer Maintenance rate of 3.30% applied to Column [B] for 2.25 years (midpoint of Test Year to mid-point of Attrition Year)

[D]- Adjust Column [C], which reflects 564 average customers, to pro-forma customer count.

[E]- See below for explanations:

Maintenance and Repair: Expense for contract operator removed from Columns [B] through [D] calculations, add back Test Year expense from Column [A]**Outside Services - Other:** Add estimated corporate allocation expenses, not included in Test Year.**Rent:** Add estimated corporate office rent expense, new in 2019, not included in Test Year.**Miscellaneous:** Includes amortizations of 2017 Operating Loss, 2018 Operating Loss and Return on Replacement Capital (See Schedule D), as well as the following amortizations of protected and unprotected EDIT due to Tax Cuts and Jobs Act:

	Balance	Amortization Years	Annual Amortization
Protected	(95,102.31)	49	(1,933.09)
Unprotected	(3,928.50)	5	(785.70)

[F]- Sum of Column [D] & [E]

Tennessee Water Service

Schedule H

Docket No. 19-_____

Pro-Forma Adjustments

Test Year: September 30, 2018

Pro-Forma Purchased Water Expense

<u>Test Year System Delivery in Gallons</u>	<u>Test Year Customers</u>	<u>Pro-Forma Customers</u>	<u>Historical Purchase Ratio</u>	<u>Pro-Forma Gallons Purchased</u>	<u>Pro-Forma Expense</u>
[A]	[B]	[C]	[D]	[E]	[F]
19,917,000	2,007	3,732	69.30%	25,666,302	\$ 116,936.61

Column Calculations:

[A]- Total produced and purchased water in system in Test Year

[B]- Sum of active customers for 12 months in Test Year

[C]- Pro-Forma customer count multiplied by 12 months

[D]- Average of purchased vs. produced water ratio, three years ending September 2014, 2015, and 2016. See table below.

<u>Year Ending</u>	<u>Purchase Ratio</u>
9/30/2014	70.24%
9/30/2015	69.13%
9/30/2016	68.54%
Average	69.30%

[E]- Calculation of $[A] / [B] * [C] * [D]$

[F]- Column [E] at rates for City of Gatlinburg Water - $(([E] / 100) - 20) * 0.454 + ((42.38 + 1.00) * 12)$

Minimum charge of \$42.38/month covers 2,000 gallons, \$1/month administration charge, \$0.454/100 gallon volume charge

Tennessee Water Service
Docket No. 19-_____
Test Year: September 30, 2018

Schedule I

Pro-Forma Salary & Wages, Payroll Taxes

Line No .	Item	Total Per Books Adjusted	Pro-Forma Adjustment	Adjustment Needed
	<u>Shared Services Staff</u>	[A]	[B]	[C]
1	Pro-Forma Salaries & Wages	5,893.88	5,110.58	(783.30)
2	FICA	225.50	302.82	77.32
3	Federal Unemployment Tax	2.22	28.85	26.63
4	State Unemployment Tax	18.79	27.40	8.61
	Total	6,140.39	5,469.64	(670.75)
	<u>TWS Leadership Staff</u>			
5	Pro-Forma Salaries & Wages	260.87	732.08	471.21
6	FICA	160.71	91.35	(69.36)
7	Federal Unemployment Tax	0.77	3.91	3.14
8	State Unemployment Tax	2.16	1.03	(1.13)
	Total	424.51	828.37	403.86
	<u>TWS Operations Staff</u>			
9	Pro-Forma Salaries & Wages	15,429.60	17,426.61	1,997.01
10	FICA	-	1,333.14	1,333.14
11	Federal Unemployment Tax	-	119.36	119.36
12	State Unemployment Tax	-	31.77	31.77
	Total	15,429.60	18,910.88	3,481.28

Calculations:

Column [A] - Per Exhibit 1

Column [B] - Per Company's workpapers

Column [C] -Difference of Column [B] - Column [A]