

# TENNESSEE PUBLIC UTILITY COMMISSION



Underground Utility Damage Enforcement Board  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, Tennessee 37243

## **NOTICE OF FILING EXHIBITS**

**DOCKET:** 19-00028

**IN RE:** *Petition of Tennessee Water Service, Inc. for Adjustment of Rates and Charges, Approval of a Qualified Infrastructure Investment Program, and Modification to Certain Terms and Conditions for the Provision of Water Service*

**DATE:** February 27, 2020

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The Tennessee Public Utility Commission has filed exhibits to its Order issued January 30, 2020. These exhibits were inadvertently omitted from the original filing and are being filed separately with this notice and as an attachment to the final Order.

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

  
Kelly Cashman Grams, General Counsel

Original in docket file

c: Interested Parties

**TENNESSEE PUBLIC UTILITY COMMISSION**

**Ratemaking Schedules**

**TPUC Docket 19-00028**

***Petition of Tennessee Water Service, Inc.  
for Adjustment of Rates And Charges,  
Approval of a Qualified Infrastructure  
Investment Program, and Modification to  
Certain Terms and Conditions for the  
Provision of Water Service***

**TENNESSEE WATER SERVICE, INC**  
Index to Schedules  
For the 12 Months Ending December 31, 2020

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**TENNESSEE WATER SERVICE, INC**  
Results of Operations  
For the 12 Months Ending December 31, 2020

| <u>Line<br/>No.</u> |                                   | <u>Amount</u>           |
|---------------------|-----------------------------------|-------------------------|
| 1                   | Rate Base                         | \$1,411,642             |
| 2                   | Operating Income At Current Rates | 26,672                  |
| 3                   | Earned Rate Of Return             | 1.89%                   |
| 4                   | Fair Rate Of Return               | 7.77%                   |
| 5                   | Required Operating Income         | 109,685                 |
| 6                   | Operating Income Deficiency       | 83,012                  |
| 7                   | Gross Revenue Conversion Factor   | <u>1.337392</u>         |
| 8                   | <b>Revenue Deficiency</b>         | <b><u>\$111,020</u></b> |

**TENNESSEE WATER SERVICE, INC**  
Average Rate Base  
For the 12 Months Ending December 31, 2020

| Line<br>No. |   | Test<br>Period            | Adjustments             | Attrition<br>Period       |
|-------------|---|---------------------------|-------------------------|---------------------------|
|             | <b>Additions:</b>                               |                           |                         |                           |
| 1           | Utility Plant in Service                        | \$1,845,378               | \$779,449               | \$2,624,827               |
| 2           | Working Capital                                 | 18,455                    | (5,629)                 | 12,827                    |
| 3           | Deferred Operating Losses                       | 208,941                   | (10,447)                | 198,494                   |
| 4           | Deferred Return on Incremental Plant Investment | 20,475                    | 34,220                  | 54,695                    |
| 5           | Deferred Rate Case Costs                        | <u>48,757</u>             | <u>44,112</u>           | <u>92,869</u>             |
| 6           | <b>Total Additions</b>                          | <b><u>\$2,142,006</u></b> | <b><u>\$841,706</u></b> | <b><u>\$2,983,712</u></b> |
|             | <b>Deductions:</b>                              |                           |                         |                           |
| 7           | Accumulated Depreciation                        | \$459,597                 | (\$22,671)              | \$436,926                 |
| 8           | Contributions in Aid of Construction            | 659,969                   | (26,622)                | 633,347                   |
| 9           | Accumulated Deferred Income Taxes               | 54,013                    | 3,674                   | 57,687                    |
| 10          | Regulatory Liability - Excess Deferred Taxes    | 99,031                    | (27,114)                | 71,917                    |
| 11          | Regulatory Liability - Uninsured Property       | <u>0</u>                  | <u>372,193</u>          | <u>372,193</u>            |
| 12          | <b>Total Deductions</b>                         | <b><u>\$1,272,610</u></b> | <b><u>\$299,460</u></b> | <b><u>\$1,572,070</u></b> |
| 13          | <b>Rate Base</b>                                | <b><u>\$869,396</u></b>   | <b><u>\$542,245</u></b> | <b><u>\$1,411,642</u></b> |

**TENNESSEE WATER SERVICE, INC**  
Working Capital Allowance  
For the 12 Months Ending December 31, 2020

| Line<br>No. |  | <u>Test<br/>Period</u>  | <u>Adjustments</u>       | <u>Attrition<br/>Period</u> |
|-------------|--|-------------------------|--------------------------|-----------------------------|
| 1           | Maintenance Expenses                                     | \$93,143                | (\$52,874)               | \$40,269                    |
| 2           | General Expenses   | 15,645                  | 3,471                    | 19,116                      |
| 3           | Other Operating & Maintenance Expenses                   | 89,767                  | (7,685)                  | 82,082                      |
| 4           | General Taxes  | <u>17,362</u>           | <u>5,086</u>             | <u>22,448</u>               |
| 5           | <b>Total Operating Expenses</b>                          | <b>\$215,917</b>        | <b>(\$52,003)</b>        | <b>\$163,914</b>            |
| 6           | Less Purchased Water Expense                             | <u>68,275</u>           | <u>(6,974)</u>           | <u>61,301</u>               |
| 7           | <b>Net Operating Expenses</b>                            | <b><u>\$147,642</u></b> | <b><u>(\$45,029)</u></b> | <b><u>\$102,613</u></b>     |
| 8           | <b>Working Capital (1/8th of Net Operating Expenses)</b> | <b><u>\$18,455</u></b>  | <b><u>(\$5,629)</u></b>  | <b><u>\$12,827</u></b>      |

**TENNESSEE WATER SERVICE, INC**  
Income Statement at Current Rates  
For the 12 Months Ending December 31, 2020

| Line<br>No. |  | Test<br>Period    | Adjustments       | Attrition<br>Period |
|-------------|--|-------------------|-------------------|---------------------|
|             | <b>Operating Revenues:</b>                                   |                   |                   |                     |
| 1           | Water Sales Revenues   | \$86,299          | \$162,483         | \$248,782           |
| 2           | Other Revenues   | 95,318            | (90,399)          | 4,919               |
| 3           | <b>Total Operating Revenues</b>                              | <b>\$181,617</b>  | <b>\$72,084</b>   | <b>\$253,701</b>    |
|             | <b>Operating &amp; Maintenance Expenses:</b>                 |                   |                   |                     |
| 4           | Maintenance Expenses   | \$93,143          | (\$52,874)        | \$40,269            |
| 5           | General Expenses   | 15,645            | 3,471             | 19,116              |
| 6           | Other Operating & Maintenance Expenses                       | 89,767            | (7,685)           | 82,082              |
| 7           | <b>Total Operating &amp; Maintenance Expenses</b>            | <b>\$198,555</b>  | <b>(\$57,089)</b> | <b>\$141,466</b>    |
|             | <b>Other Expenses:</b>                                       |                   |                   |                     |
| 8           | Depreciation Expense   | \$27,999          | \$14,736          | \$42,735            |
| 9           | Amortization of Contributions in Aid of Construction         | (15,119)          | (94)              | (15,213)            |
| 10          | Amortization of Regulatory Liability - Excess Deferred Taxes | 0                 | (2,769)           | (2,769)             |
| 11          | Amortization of Investment Tax Credits                       | (48)              | 0                 | (48)                |
| 12          | Amortization of Deferred Operating Losses                    | 0                 | 20,894            | 20,894              |
| 13          | Amortization of Deferred Return on Incremental Plant         | 0                 | 5,757             | 5,757               |
| 14          | Amortization of Deferred Rate Case Costs                     | 0                 | 20,638            | 20,638              |
| 15          | Amortization of Regulatory Liability - Uninsured Property    | 0                 | (5,730)           | (5,730)             |
| 16          | General Taxes  | 17,362            | 5,086             | 22,448              |
| 17          | State Excise Taxes   | 0                 | (783)             | (783)               |
| 18          | Federal Income Taxes   | 0                 | (2,366)           | (2,366)             |
| 19          | <b>Total Other Expenses</b>                                  | <b>\$30,194</b>   | <b>\$55,368</b>   | <b>\$85,562</b>     |
| 20          | <b>Total Operating Expenses</b>                              | <b>\$228,749</b>  | <b>(\$1,720)</b>  | <b>\$227,029</b>    |
| 21          | <b>Utility Operating Income</b>                              | <b>(\$47,132)</b> | <b>\$73,804</b>   | <b>\$26,672</b>     |

**TENNESSEE WATER SERVICE, INC**  
Operations and Maintenance Expense Summary  
For the 12 Months Ending December 31, 2020

| Line<br>No. |   | <u>Amount</u>                  |
|-------------|---|--------------------------------|
|             | <b>Maintenance Expenses:</b>                    |                                |
| 1           | Purchased Power                                 | \$8,667                        |
| 2           | Maintenance & Repair                            | 23,622                         |
| 3           | Maintenance Testing                             | 1,908                          |
| 4           | Chemicals                                       | 241                            |
| 5           | Transportation                                  | 2                              |
| 6           | Outside Services                                | 5,829                          |
| 7           | <b>Total Maintenance Expenses</b>               | <b><u>\$40,269</u></b>         |
|             | <b>General Expenses:</b>                        |                                |
| 8           | Office Supplies & Other Office Expenses         | \$2,935                        |
| 9           | Pension & Other Benefits                        | 6,880                          |
| 10          | Rent  | 2,037                          |
| 11          | Insurance                                       | 3,379                          |
| 12          | Office Utilities                                | 2,370                          |
| 13          | Miscellaneous                                   | 1,515                          |
| 14          | <b>Total General Expenses</b>                   | <b><u>\$19,116</u></b>         |
|             | <b>Other Expenses:</b>                          |                                |
| 15          | Purchased Water                                 | \$61,301                       |
| 16          | Bad Debt  | 610                            |
| 17          | Regulatory                                      | 0                              |
| 18          | Salary & Wages                                  | 20,170                         |
| 19          | <b>Total Other Expenses</b>                     | <b><u>\$82,082</u></b>         |
| 20          | <b>Total Operations and Maintenance Expense</b> | <b><u><u>\$141,466</u></u></b> |



**TENNESSEE WATER SERVICE, INC**  
Taxes Other than Income Taxes  
For the 12 Months Ending December 31, 2020

| <u>Line<br/>No.</u> |                                | <u>Amount</u>                 |
|---------------------|--------------------------------|-------------------------------|
| 1                   | Payroll Tax Expense            | \$1,940                       |
| 2                   | Franchise Tax Expense          | 1,122                         |
| 3                   | Gross Receipts Tax Expense     | 144                           |
| 4                   | Property Tax Expense           | 18,188                        |
| 5                   | Utility Commission Fee Expense | <u>1,054</u>                  |
| 6                   | <b>Total</b>                   | <b><u><u>\$22,448</u></u></b> |

**TENNESSEE WATER SERVICE, INC**  
Excise and Income Taxes  
For the 12 Months Ending December 31, 2020

| Line<br>No. |   | <u>Amount</u>            |
|-------------|---|--------------------------|
| 1           | <b>Operating Revenues</b>                   | <b><u>\$253,701</u></b>  |
|             | <b>Operating Expenses:</b>                  |                          |
| 2           | O&M Expenses                                | \$141,466                |
| 3           | Depreciation Expense                        | 42,735                   |
| 4           | Net Amortization Expense                    | 23,529                   |
| 5           | General Taxes                               | 22,448                   |
| 6           | <b>Total Operating Expenses</b>             | <b><u>\$230,178</u></b>  |
| 7           | <b>NOI Before Excise and Income Taxes</b>   | <b><u>\$23,523</u></b>   |
| 8           | Interest Expense                            | 35,573                   |
| 9           | <b>Net Income Before Income Taxes</b>       | <b><u>(\$12,051)</u></b> |
|             | <b>Tennessee Excise Tax Calculation:</b>    |                          |
| 10          | Net Income Before Income Taxes              | (\$12,051)               |
| 11          | Excise Tax Rate                             | 6.50%                    |
| 12          | <b>Excise Tax Expense</b>                   | <b><u>(\$783)</u></b>    |
|             | <b>Federal Income Tax Calculation:</b>      |                          |
| 13          | Net Income Before Income Taxes              | (\$12,051)               |
| 14          | State Excise Tax Expense                    | (783)                    |
| 15          | <b>Net Income Before Federal Income Tax</b> | <b><u>(\$11,267)</u></b> |
| 16          | FIT Rate                                    | 21.00%                   |
| 17          | <b>Federal Income Tax Expense</b>           | <b><u>(\$2,366)</u></b>  |

**TENNESSEE WATER SERVICE, INC**  
Income Statement at Proposed Rates  
For the 12 Months Ending December 31, 2020

| Line<br>No. |  | Current<br>Rates | Rate<br>Increase | Proposed<br>Rates |
|-------------|--|------------------|------------------|-------------------|
|             | <b>Operating Revenues:</b>                                   |                  |                  |                   |
| 1           | Water Sales Revenues   | \$248,782        | \$111,020        | \$359,802         |
| 2           | Other Revenues   | 4,919            | 1,640            | 6,559             |
| 3           | <b>Total Operating Revenues</b>                              | <b>\$253,701</b> | <b>\$112,660</b> | <b>\$366,361</b>  |
|             | <b>Operating &amp; Maintenance Expenses:</b>                 |                  |                  |                   |
| 4           | Maintenance Expenses   | \$40,269         | \$0              | \$40,269          |
| 5           | General Expenses   | 19,116           | 0                | 19,116            |
| 6           | Other Operating & Maintenance Expenses                       | 82,082           | 276              | 82,358            |
| 7           | <b>Total Operating &amp; Maintenance Expenses</b>            | <b>\$141,466</b> | <b>\$276</b>     | <b>\$141,743</b>  |
|             | <b>Other Expenses:</b>                                       |                  |                  |                   |
| 8           | Depreciation Expense   | \$42,735         | \$0              | \$42,735          |
| 9           | Amortization of Contributions in Aid of Construction         | (15,213)         | 0                | (15,213)          |
| 10          | Amortization of Regulatory Liability - Excess Deferred Taxes | (2,769)          | 0                | (2,769)           |
| 11          | Amortization of Investment Tax Credits                       | (48)             | 0                | (48)              |
| 12          | Amortization of Deferred Operating Losses                    | 20,894           | 0                | 20,894            |
| 13          | Amortization of Deferred Return on Incremental Plant         | 5,757            | 0                | 5,757             |
| 14          | Amortization of Deferred Rate Case Costs                     | 20,638           | 0                | 20,638            |
| 15          | Amortization of Regulatory Liability - Uninsured Property    | (5,730)          | 0                | (5,730)           |
| 16          | General Taxes  | 22,448           | 0                | 22,448            |
| 17          | State Excise Taxes   | (783)            | 7,305            | 6,522             |
| 18          | Federal Income Taxes   | (2,366)          | 22,067           | 19,700            |
| 19          | <b>Total Other Expenses</b>                                  | <b>\$85,562</b>  | <b>\$29,372</b>  | <b>\$114,934</b>  |
| 20          | <b>Total Operating Expenses</b>                              | <b>\$227,029</b> | <b>\$29,648</b>  | <b>\$256,676</b>  |
| 21          | <b>Utility Operating Income</b>                              | <b>\$26,672</b>  | <b>\$83,012</b>  | <b>\$109,685</b>  |

**TENNESSEE WATER SERVICE, INC**  
Rate of Return Summary  
For the 12 Months Ending December 31, 2020

| Line<br>No.                     | Class of Capital        | Percent of<br>Total | Cost Rate | Weighted<br>Cost Rate |
|---------------------------------|-------------------------|---------------------|-----------|-----------------------|
| 1                               | Debt                    | 50.00%              | 5.04%     | 2.52%                 |
| 2                               | Equity                  | 50.00%              | 10.50%    | 5.25%                 |
| 3                               | <b>Total</b>            | <b>100.00%</b>      |           | <b>7.77%</b>          |
| <b><u>Interest Expense:</u></b> |                         |                     |           |                       |
| 4                               | Rate Base               |                     |           | \$1,411,642           |
| 5                               | Weighted Debt Cost      |                     |           | 2.52%                 |
| 6                               | <b>Interest Expense</b> |                     |           | <b>\$35,573</b>       |

**TENNESSEE WATER SERVICE, INC**  
Revenue Conversion Factor  
For the 12 Months Ending December 31, 2020

| <u>Line<br/>No.</u> |  | <u>Amount</u> | <u>Balance</u>         |
|---------------------|--|---------------|------------------------|
| 1                   | Operating Revenues                                 |               | 1.000000               |
| 2                   | Add: Forfeited Discounts                           | 0.014773      | <u>0.014773</u>        |
| 3                   | Balance  |               | 1.014773               |
| 4                   | Uncollectible Ratio                                | 0.002452      | <u>0.002488</u>        |
| 5                   | Balance  |               | 1.012284               |
| 6                   | State Excise Tax                                   | 0.065000      | <u>0.065798</u>        |
| 7                   | Balance  |               | 0.946486               |
| 8                   | Federal Income Tax                                 | 0.210000      | <u>0.198762</u>        |
| 9                   | Balance  |               | <u>0.747724</u>        |
| 10                  | <b>Revenue Conversion Factor (Line 1 / Line 9)</b> |               | <b><u>1.337392</u></b> |

**TENNESSEE WATER SERVICE, INC**  
Rate Design  
For the 12 Months Ending December 31, 2020

| Line No. |  | <u>Bills/Usage</u> | <u>Current Rate</u> | <u>Current Revenue</u> | <u>Proposed Rate</u>          | <u>Proposed Revenue</u> | <u>Revenue Increase</u> |
|----------|--|--------------------|---------------------|------------------------|-------------------------------|-------------------------|-------------------------|
|          | <b><u>Water Sales:</u></b>                   |                    |                     |                        |                               |                         |                         |
| 1        | Attrition Period Bills                       | 3,732              | \$25.70             | \$95,912               | \$50.00                       | \$186,600               | \$90,688                |
|          | <b><u>Attrition Period Usage:</u></b>        |                    |                     |                        |                               |                         |                         |
| 2        | Step 1 - 0 to 1,000 Gallons/Month            | 3,732              | \$0.00              | \$0                    |                               | \$0                     | \$0                     |
| 3        | Step 2 - Over 1,000 Gallons/Month            | 11,494             | \$13.30             | 152,869                | \$14.95                       | 171,834                 | 18,965                  |
| 4        | <b>Total Usage Revenue</b>                   | 15,226             |                     | \$152,869              |                               | \$171,834               | \$18,965                |
| 5        | <b>Attrition Period Sales Revenue</b>        |                    |                     | <b>\$248,782</b>       |                               | <b>\$358,434</b>        | <b>\$109,653</b>        |
|          | <b><u>Private Fire Service:</u></b>          |                    |                     |                        |                               |                         |                         |
| 6        | Multi-use Line                               | 36                 | \$0.00              | \$0                    | \$35.80                       | \$1,289                 | \$1,289                 |
| 7        | Fire-Only Line                               | 0                  | \$0.00              | 0                      | \$71.60                       | 0                       | 0                       |
| 8        | <b>Attrition Period Private Fire Service</b> |                    |                     | <b>\$0</b>             |                               | <b>\$1,289</b>          | <b>\$1,289</b>          |
| 9        | <b>Attrition Period Other Revenue</b>        |                    |                     | <b>\$4,919</b>         |                               | <b>\$4,919</b>          | <b>\$0</b>              |
| 10       | <b>Total Attrition Period Revenues</b>       |                    |                     | <b>\$253,701</b>       |                               | <b>\$364,642</b>        | <b>\$110,941</b>        |
| 11       |  |                    |                     |                        | <b>Revenue Deficiency</b>     |                         | <b>111,020</b>          |
| 12       |  |                    |                     |                        | <b>Rate Design Difference</b> |                         | <b>\$79</b>             |