

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

IN RE:

**JOINT PETITION OF TENNESSEE
WASTEWATER SYSTEMS, INC. AND
TPUC STAFF (AS A PARTY) TO
INCREASE RATES AND CHARGES**

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DOCKET NO. 20-00009

PRE-FILED DIRECT TESTIMONY

OF

KEVIN MCCLENATHAN

1 **Q. Please state your name, position and business address.**

2 A. My name is Kevin McClenathan. I am a Utility Rate Specialist for the Tennessee
3 Public Utility Commission. My business address is 502 Deaderick Street, Fourth
4 Floor, Nashville, Tennessee 37243.

5 **Q. Please provide a summary of your educational background and professional**
6 **experience.**

7 A. I have a B.S. in Accounting for The University of Tennessee – Knoxville. I started
8 with TPUC in January 2019. In my time with the Commission, I have worked on
9 various cases and audits for natural gas, water and wastewater public utilities.

10 **Q. What is the purpose of your testimony in this proceeding?**

11 A. The purpose of my testimony is to present the forecast of the cost of service and
12 related revenue deficiency for Tennessee Wastewater Systems, Inc. for the Attrition
13 Period ending December 31, 2020, including the projected operating revenues,
14 expenses and taxes. The ratemaking calculation are presented in the TPUC Party
15 Staff Exhibit, Schedules and Workpapers attached hereto.

16 As reflected on TPUC Party Staff Exhibit, Schedule 2, the forecast of operating
17 revenues, expenses and taxes resulted in a net operating loss of \$105,550 for the
18 Attrition Period.

19 **Q. Please explain the forecast of Operating Revenues at Present Rates.**

20 **A. Schedule 3, Lines 1-3 - Wastewater Revenue - Residential Customers, Commercial**
21 **Customers and Sewer Access Fees - \$2,148,533:** This amount represents the
22 forecasted Wastewater Revenue from Residential Customers, Commercial Customers

1 and Sewer Access Fees the Company should realize during the Attrition Period, absent
2 any rate relief.

3 To forecast water revenue, I first examined the Residential Customer billing
4 information in the Test Period and performed a revenue price-out, as reflected on
5 Workpaper 2. Based on the increased number of customers from September 2018 to
6 September 2019, I determined that a 10% growth rate is reasonable for Residential
7 Customers. Using an 18-month growth adjustment period and the residential growth
8 factor of 10%, I calculated an Attrition Period figure of \$1,115,892. This is a \$59,773
9 increase from the Test Period.

10 Similar to the revenues from Residential Customers, a revenue price-out was performed
11 using the Test Period billing information for Commercial Customers, as shown on
12 Workpaper 3. Based on the customer growth from September 2018 to September 2019,
13 I determined that a 5% growth rate is reasonable for Commercial Customers. Using the
14 same 18-month growth adjustment period and the commercial growth factor of 5%, I
15 calculated an Attrition Period figure of \$849,164. This is an \$87,641 increase from the
16 Test Period.

17 In determining the adjustment for Sewer Access, I took a 3-year average of the revenue
18 from the fees, as shown on Workpaper 1. This resulted in an adjustment of \$10,354 to
19 the Test Period, making the Attrition Period figure \$183,477.

20 **Schedule 3, Lines 9 and 11 – Late Payment and Miscellaneous Revenue - \$18,326.**

21 As shown on Workpaper 1, late payment/forfeited discount revenue of \$15,006 was
22 computed by taking the three-year average for the period 2016-2018; and I priced-out

1 miscellaneous revenue of \$3,320 for disconnects, reconnects and returned check
2 charges as reflected on Workpaper 4.

3 **Q. Please explain the individual components of the Expense Forecast.**

4 **A. Schedule 4, Lines 1, 4 and 5 – Salary & Wages Expense – Employees, Worker’s**
5 **Compensation Expense and IRA Contribution Expense - \$656,289:** This amount
6 represents the forecast of the Salary & Wages Expense for Employees, combined with
7 the corresponding Compensation Expense and IRA Contribution Expense. To arrive at
8 this amount, I first performed a price-out of these three expenses.

9 In order to arrive at the Attrition Period figure for the Salary & Wages Expense for
10 Employees, I annualized the total Employee compensation from the Test Period and
11 grew that number by a 3% annual cost of living increase. In addition, the Company
12 expressed the need for a new employee. To support that need, a vacant entry-level
13 position has been included in this calculation. This brings the Attrition Period figure for
14 Salary & Wages Expense for Employees to \$623,560, as shown on Workpaper 6.

15 The Worker’s Compensation Expense and IRA Contribution Expense were calculated
16 using percentages from the June 2019 Worker’s Compensation Report and the TWSI
17 payroll, respectively. These percentages were applied to the 2020 Pro Forma Base Pay
18 for Employees. This resulted in an Attrition Period figure of \$18,864 for Worker’s
19 Compensation Expense and \$13,865 for IRA Contribution Expense, as shown on
20 Workpaper 6.

21 The sum of these three expenses totals \$656,289.

22 **Schedule 4, Line 10 – Materials & Supplies Expense - \$260,088:** This amount
23 represents the forecast of Materials & Supplies Expense the Company should incur

1 during the Attrition Period. To arrive at this amount, I first performed an analysis of
2 Materials & Supplies recorded in the Company's escrow account and operating expense
3 account. Through the Test Period, the Company recorded certain, routine maintenance
4 expenses to its escrow account, but starting January 2019, such routine expenses were
5 recorded solely to its operating accounts, consistent with the new rule for escrow
6 accounting which became effective in December 2018, see TPUC Rule 1220-4-13-
7 .07(7). Materials & Supplies of \$314,993 charged to escrow and operating expense for
8 the adjusted test period of July 1, 2018 through June 30, 2019 were examined, and
9 nonroutine, nonrecurring expenses and inventory adjustments of \$54,905 were removed
10 to arrive at the Attrition Period forecast.

11 **Schedule 5, Line 5 – Lawn Maintenance - \$56,125:** This amount represents the
12 forecast of Lawn Maintenance Expense the Company should incur during the Attrition
13 Period. To arrive at this figure, I doubled the Test Period expense to arrive at the
14 Attrition Period amount of \$56,125, as shown on Workpaper 7. The mowing expense
15 was significantly increased due to conversations with management regarding the need
16 for better maintenance of the Company's drip fields and system grounds.

17 **Schedule 5, Line 7 – Management Fees - \$231,020:** This amount represents the
18 forecasted Management Fees the Company should incur during the Attrition Period. To
19 arrive at this amount, I first performed a price-out of this expense, including FICA. In
20 order to arrive at the Attrition Period figure for the Management Fees, I annualized the
21 total fees from the Test Period and grew that number by a 3% annual cost of living
22 increase. This resulted in an Attrition Period figure of \$231,020, as shown on
23 Workpaper 7. Due to changes in management personnel and employee levels from 2018

1 to 2019, this is an overall decrease in the Company's Management Fees from the Test
2 Period amount.

3 **Schedule 5, Line 8 – IT Support - \$59,068:** This amount represents the forecasted IT
4 Support Expense the Company should incur during the Attrition Period. To arrive at this
5 amount, I removed nonrecurring expenses of \$14,434 and prepaids of \$2,216 from the
6 Test Period expense of \$74,238, and then grew the adjusted amount of \$57,588 by the
7 compounded GDP Deflator of 2.57% to arrive at the Attrition Period forecast.

8 **Schedule 6, Line 1 – Rent - \$66,000:** This amount represents the forecasted Rent
9 Expense the Company should incur during the Attrition Period. To arrive at this
10 amount, I removed an annual lease payment of \$6,945 for land from Test Period Rent of
11 \$60,945 to arrive at an adjusted amount of \$54,000, which is attributable to the
12 combined monthly lease payments for its Middle and East Tennessee offices during the
13 Test Period. The lease on land was removed for ratemaking purposes because the
14 Company is leasing the land to be used as a potential site of a future wastewater
15 treatment facility, but the land is not currently used to provide wastewater treatment
16 services. The adjusted Test Period rent of \$54,000 was increased by \$12,000 to arrive
17 at the Attrition Period forecast because the Company moved its East Tennessee office to
18 a new location in 2019, which increased the monthly lease amount for the East
19 Tennessee office by \$1,000 per month.

20 **Schedule 6, Line 7 – Depreciation Expense - \$112,065:** The Company's depreciable
21 assets consist of vehicles and equipment purchased by TWSI and depreciated on a
22 straight-line basis over a five-year estimated economic life. The Company's utility
23 treatment plant and collection systems are contributed by developers; thus, depreciation

1 expense related to these contributed capital assets is not allowed for ratemaking
2 purposes pursuant to the Commission's precedents and regulatory accounting rules set
3 forth in the Uniform System of Accounts adopted by the Commission. Depreciation
4 was computed by applying existing straight-line depreciation rates to existing
5 depreciable assets through the Attrition Period, which resulted in annual depreciation of
6 \$100,612. Additional Attrition Period depreciation of \$11,453 was computed by
7 applying a five-year, straight-line depreciation rate of 20% to the average, forecasted
8 additions of depreciable assets of \$57,266, which was determined by averaging the
9 annual additions of depreciable assets for the period 2016 through 2018.

10 **Items Adjusted Using a Two-Year Historical Average:** The following expenses
11 were adjusted using a two-year historical average methodology to determine the
12 Attrition Period amount: Professional Services of \$17,593 (Workpaper 7, Line 1);
13 Maintenance Expense of \$7,203 (Workpaper 7, Line 3); Registration Renewal of \$1,026
14 (Workpaper 8, Line 2); Equipment Maintenance of \$19,731 (Workpaper 9, Line 2);
15 Equipment Rental of \$13,513 (Workpaper 9, Line 3); Small Equipment Purchases of
16 \$4,954 (Workpaper 9, Line 4); and Other Miscellaneous Expenses of \$1,012
17 (Workpaper 9, Line 12). Review of the historical trends in these expense items
18 indicated that a two-year historical average is appropriate to forecast expenses for the
19 Attrition Period.

20 **Items Adjusted Using a GDP Deflator:** The following expenses were adjusted using a
21 GDP Deflator methodology to determine the Attrition Period amount: Life Insurance
22 Expense of \$2,145 (Workpaper 5, Line 3); Telemetry Monitoring Expense of \$177,643
23 (Workpaper 5, Line 8); Testing Expense of \$8,136 (Workpaper 7, Line 2); Service

1 Expense of \$1,544 (Workpaper 7, Line 4); One-Call Expense of 5,981 (Workpaper 7,
2 Line 6); Fuel Expense of \$67,719 (Workpaper 8, Line 3); Vehicle Maintenance of
3 \$26,622 (Workpaper 8, Line 4); Insurance Expense of \$39,143 (Workpaper 8, Line 5),
4 Licenses & Permits Expense of \$44,358 (Workpaper 8, Line 10); Telephone Expense of
5 \$10,735 (Workpaper 9, Line 5); Office Supplies Expense of \$1,060 (Workpaper 9, Line
6 6); and Software Licenses Expense of \$23,727 (Workpaper 9, Line 8). For each of
7 these expense items, a compounded GDP Deflator of 2.57% was applied to the Test
8 Period amount to arrive at the Attrition Period forecast, which was computed by
9 compounding the annual growth in the GDP Deflator (as determined for the period
10 from the 3rd Quarter 2018 to the 3rd Quarter 2019) through the midpoint of the Attrition
11 Period. I determined that this general inflation index is appropriate to forecast these
12 expense items.

13 **Items Adjusted Using an Inflation Factor:** The following expenses were adjusted
14 using an Inflation Factor methodology to determine the Attrition Period amount:
15 Purchased Power Expense of \$177,021 (Workpaper 5, Line 7); and Postage Expense of
16 \$10,958 (Workpaper 9, Line 7). For these expense items, a compounded Inflation
17 Factor of 10.25% was applied to the Test Period amount to arrive at the Attrition Period
18 forecast. The Inflation Factor was computed by summing one-half of the compounded
19 annual residential customer growth of 10.0% through the midpoint of the Attrition
20 Period and the compounded GDP Deflator of 2.57%, described above. I determined
21 that an inflation factor that considered both general inflation and customer growth is
22 appropriate to forecast these expense items.

1 **Items Eliminated:** The following Test Period expenses were eliminated from the
2 determination of the revenue deficiency in the Attrition Period because they are
3 recovered by the Company through surcharges to customers which were not examined
4 in this docket: Purchased Water Treatment Expense of \$116,597 (Workpaper 5, Line 6);
5 Bioxide Expense of \$3,680 (Workpaper 5, Line 9); Letter of Credit Fees of \$10,500
6 (Workpaper 8, Line 8); and Franchise Fees of \$3,383 (Workpaper 9, Line 10.)

7 The following Test Period expenses were eliminated from the determination of the
8 revenue deficiency because they were considered disallowable expenses for ratemaking
9 purposes in this docket: Membership Dues of \$40 (Workpaper 9, line 9), Lodging
10 Expense of \$155 (Workpaper 11, Line 1); Meals & Entertainment of \$6,237
11 (Workpaper 11, Line 2); and Non-Utility Construction Expense of \$1,200 (Workpaper
12 10, Line 6), as well as adjustments certain other adjustments for disallowable and
13 nonrecurring costs as reflected on Workpaper 11.

14 **Q. Please explain the calculation of Taxes.**

15 **A. Schedule 8, Line 6 - Taxes Other Than Income Tax Expense – \$181,480:** This
16 amount represents the Other Tax Expense for the Attrition Period related to Payroll Tax
17 of \$52,977, Franchise Tax of \$60,247, Property Tax of \$59,068 and Utility Commission
18 Fee of \$9,188. These amounts were determined in accordance with statutory tax rates,
19 rules and regulations as shown on Workpapers 6 and 10.

20 **Schedule 11, Lines 10 and 11 – Income Taxes - \$83,615.** This amount represents a
21 provision for Income Tax Expense for the Attrition Period related to Tennessee Excise
22 Tax of \$20,796 and Federal Income Tax of \$62,819. As reflected in Party Staff Exhibit,
23 Schedules 10 and 11, these amounts were determined in accordance with relevant

1 statutory tax rates, rules and regulations applied to forecasted Attrition Period taxable
2 income.

3 Q. **Does this conclude your testimony?**

4 A. Yes it does.

Tennessee Wastewater Systems, Inc.
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For the 12 Months Ending December 31, 2020

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Tennessee Wastewater Systems, Inc.
Results of Operations - Operating Margin Method
For the 12 Months Ending December 31, 2020

| <u>Line No.</u> | | <u>TWSI</u> |
|---------------------|--|-----------------------|
| 1 | Total Operating Expenses | <u>2,272,408 A/</u> |
| 2 | Fair Operating Margin | <u>10.00% B/</u> |
| 3 | Required Operating Income | 227,241 |
| 4 | Less Operating Income at Current Rates | <u>(105,550) A/</u> |
| 5 | Operating Income Deficiency/(Surplus) | 332,791 |
| 6 | Gross Revenue Conversion Factor | <u>1.34979 C/</u> |
| 7 | Revenue Deficiency/(Surplus) | <u>449,198</u> |

A/ Schedule 2.

B/ Proposed Operating Margin.

C/ Schedule 12.

Tennessee Wastewater Systems, Inc.
Income Statement at Current Rates
For the 12 Months Ending December 31, 2020

| Line No. | | Test Period | Adjustments | Attrition Period |
|-------------|-----------------------------------|----------------------------|------------------------|----------------------------|
| | Operating Revenues: | | | |
| 1 | Wastewater Revenues | 1,990,765 | 157,769 | 2,148,533 |
| 2 | Other Revenues | 232,363 | (214,038) | 18,326 |
| 3 | Total Operating Revenue | <u>2,223,128</u> A/ | <u>(56,269)</u> | <u>2,166,859</u> A/ |
| | Expenses: | | | |
| 4 | Operating Expenses | 1,320,041 B/ | (46,856) | 1,273,186 B/ |
| 5 | Contractual Services | 476,667 C/ | (89,998) | 386,670 C/ |
| 6 | Administrative & General Expenses | 396,584 D/ | (23,668) | 372,916 D/ |
| 7 | Miscellaneous Expenses | 77,433 E/ | 8,258 | 85,691 E/ |
| 8 | Taxes Other Than Income Expenses | 59,155 F/ | 122,325 | 181,480 F/ |
| 9 | Non-Utility Expenses | 25,705 G/ | (19,106) | 6,600 G/ |
| 10 | State Income Tax Expense | - | (8,489) | (8,489) H/ |
| 11 | Federal Income Tax Expense | - H/ | <u>(25,644)</u> | <u>(25,644)</u> H/ |
| 12 | Total Expenses | <u>2,355,586</u> | <u>(83,177)</u> | <u>2,272,408</u> |
| 13 | Net Operating Income | <u>(132,458)</u> | <u>26,908</u> | <u>(105,550)</u> |

A/ Schedule 3.
B/ Schedule 4.
C/ Schedule 5.
D/ Schedule 6.
E/ Schedule 7.
F/ Schedule 8.
G/ Schedule 9.
H/ Schedule 10.

Tennessee Wastewater Systems, Inc.
Revenues
For the 12 Months Ending December 31, 2020

| Line No. | | Test Period | Adjustments | Attrition Period |
|-------------|--------------------------|------------------------|--------------------|-----------------------------|
| 1 | Residential | 1,056,119 | 59,773 | 1,115,892 |
| 2 | Commercial | 761,523 | 87,641 | 849,164 |
| 3 | Sewer Access Fees | 173,123 | 10,354 | 183,477 |
| 4 | Operations & Maintenance | 363 | (363) | - |
| 5 | Billing & Collecting | (161) | 161 | - |
| 6 | Bonding | 4,182 | (4,182) | - |
| 7 | Franchise Income | 3,390 | (3,390) | - |
| 8 | Bioxide | - | - | - |
| 9 | Late Payment | 14,651 | 354 | 15,006 |
| 10 | Developer Subsidy | 206,250 | (206,250) | - |
| 11 | Miscellaneous | 3,689 | (369) | 3,320 |
| 12 | Total Revenues | 2,223,128 | \$ (56,269) | 2,166,859 |

SOURCE: Commission Staff Workpaper 1.

Tennessee Wastewater Systems, Inc.
Operating & Maintenance Expense
For the 12 Months Ending December 31, 2020

| Line No. | | Test Period | Adjustments | Attrition Amount |
|-------------|--|------------------|-----------------|---------------------|
| 1 | Salary & Wages Expense - Employees | 642,157 | (18,597) | 623,560 |
| 2 | Salary & Wages Expense - Officers | - | - | - |
| 3 | Life Insurance Expense | 2,091 | 54 | 2,145 |
| 4 | Worker's Compensation Expense | 16,196 | 2,668 | 18,864 |
| 5 | IRA Contribution Expense | 14,611 | (746) | 13,865 |
| 6 | Purchased Wastewater Treatment Expense | 116,597 | (116,597) | - |
| 7 | Purchased Power Expense | 160,563 | 16,458 | 177,021 |
| 8 | Telemetry Monitoring Expense | 173,192 | 4,451 | 177,643 |
| 9 | Bioxide Expense | 3,680 | (3,680) | - |
| 10 | Materials & Supplies Expense | 190,953 | 69,135 | 260,088 |
| 11 | Total Operation & Maintenance Expense | 1,320,041 | (46,856) | 1,273,186 |

SOURCE: Commission Staff Workpaper 5.

Tennessee Wastewater Systems, Inc.
Contractual Services Expense
For the 12 Months Ending December 31, 2020

| Line No. | | Test Period | Adjustments | Attrition Period |
|-------------|---|----------------|-----------------|---------------------|
| 1 | Professional | 25,594 | (8,001) | 17,593 |
| 2 | Testing | 7,932 | 204 | 8,136 |
| 3 | Maintenance | 12,247 | (5,044) | 7,203 |
| 4 | Service | 1,505 | 39 | 1,544 |
| 5 | Lawn Maintenance | 28,063 | 28,063 | 56,125 |
| 6 | One-Call | 5,831 | 150 | 5,981 |
| 7 | Management Fees | 321,257 | (90,237) | 231,020 |
| 8 | IT Support | 74,238 | (15,170) | 59,068 |
| 9 | Total Contractual Services Expense | 476,667 | (89,998) | 386,670 |

SOURCE: Commission Staff Workpaper 7.

Tennessee Wastewater Systems, Inc.
Administrative & General Expense
For the 12 Months Ending December 31, 2020

| Line No. | | Test Period | Adjustments | Attrition Period |
|-------------|---|------------------------|--------------------|-----------------------------|
| 1 | Rent | 60,945 | 5,055 | 66,000 |
| 2 | Registration Renewal | 618 | 409 | 1,026 |
| 3 | Fuel Expense | 66,023 | 1,697 | 67,719 |
| 4 | Vehicle Maintenance | 25,955 | 667 | 26,622 |
| 5 | Insurance | 38,162 | 981 | 39,143 |
| 6 | Regulatory Commission Expense | 8,279 | (8,279) | - |
| 7 | Depreciation Expense | 124,530 | (12,465) | 112,065 |
| 8 | Letter of Credit Fees | 10,500 | (10,500) | - |
| 9 | Interest Expense | 10,451 | (3,004) | 7,447 |
| 10 | Licenses & Permits | 43,246 | 1,111 | 44,358 |
| 11 | Uncollectible Expense | 7,875 | 661 | 8,536 |
| 12 | Total Administrative & General Expense | 396,584 | (23,668) | 372,916 |

SOURCE: Commission Staff Workpaper 8.

Tennessee Wastewater Systems, Inc.
Miscellaneous Expense
For the 12 Months Ending December 31, 2020

| <u>Line No.</u> | | <u>Test Period</u> | <u>Adjustments</u> | <u>Attrition Period</u> |
|---------------------|------------------------------------|------------------------|--------------------|-----------------------------|
| 1 | Website & Internet Hosting | 726 | (726) | - |
| 2 | Equipment Maintenance | 7,177 | 12,554 | 19,731 |
| 3 | Equipment Rental | 19,406 | (5,893) | 13,513 |
| 4 | Small Equipment Purchases | 330 | 4,625 | 4,954 |
| 5 | Telephone | 10,466 | 269 | 10,735 |
| 6 | Office Supplies | 1,034 | 27 | 1,060 |
| 7 | Postage | 9,939 | 1,019 | 10,958 |
| 8 | Software Licenses | 23,133 | 595 | 23,727 |
| 9 | Membership Dues | 40 | (40) | - |
| 10 | Franchise Fees | 3,383 | (3,383) | - |
| 11 | Billing Costs | - | - | - |
| 12 | Other | 1,800 | (788) | 1,012 |
| 13 | Total Miscellaneous Expense | 77,433 | 8,258 | 85,691 |

SOURCE: Commission Staff Workpaper 9.

Tennessee Wastewater Systems, Inc.
Taxes Other Than Income Tax Expense
For the 12 Months Ending December 31, 2020

| Line No. | | Test Period | | Adjustments | Attrition Period | |
|-------------|--|----------------|----|--------------|---------------------|----|
| 1 | Payroll Tax | 49,703 | A/ | 3,274 | 52,977 | B/ |
| 2 | Franchise Tax | 58,000 | A/ | 2,247 | 60,247 | C/ |
| 3 | Gross Receipts Tax | - | A/ | - | - | D/ |
| 4 | Property Tax | 59,155 | A/ | (87) | 59,068 | E/ |
| 5 | Utility Commission Fee | 8,280 | A/ | 908 | 9,188 | F/ |
| 6 | Total Taxes Other Than Income Taxes | <u>175,138</u> | | <u>6,342</u> | <u>181,480</u> | |

A/ Profit and Loss January 2018 through December 2018.

B/ Per Commission Staff Workpaper 6 (Salary and Wage Priceout).

C/ Commission Staff Workpaper 10.

D/ 2020 Intrastate Revenues less 5,000* .03 less franchise tax, less excise tax.

E/ Commission Staff Workpaper 10.

F/ 2020 Revenues less 5,000 / 1000 *4.25

Tennessee Wastewater Systems, Inc.
Non-Utility Expense
For the 12 Months Ending December 31, 2020

| Line No. | | Test Period | Adjustments | Attrition Period |
|-------------|----------------------------------|----------------|-----------------|---------------------|
| 1 | Lodging | 155 | (155) | - |
| 2 | Meals & Entertainment | 6,237 | (6,237) | - |
| 3 | Dues & Subscriptions | 2,580 | (1,070) | 1,510 |
| 4 | Banking & NSF Fees | 8,287 | (4,606) | 3,681 |
| 5 | Miscellaneous | 7,247 | (5,838) | 1,409 |
| 6 | Construction | 1,200 | (1,200) | - |
| 7 | Total Non-Utility Expense | 25,705 | (19,106) | 6,600 |

SOURCE: Commission Staff Workpaper 11.

Tennessee Wastewater Systems, Inc.
Income Tax Expense at Current Rates
For the 12 Months Ending December 31, 2020

| Line No. | | Tax Rate | Attrition Period | |
|-------------|--|-------------|-------------------------|----|
| 1 | Revenues | | <u>2,166,859</u> | A/ |
| | Operating Expenses: | | | |
| 2 | Operating Expenses | | 1,273,186 | A/ |
| 3 | Contractual Services | | 386,670 | A/ |
| 4 | Administrative & General Expenses | | 372,916 | A/ |
| 5 | Miscellaneous Expenses | | 85,691 | A/ |
| 6 | Taxes Other Than Income Expense | | 181,480 | A/ |
| 7 | Non-Utility Expenses | | <u>6,600</u> | A/ |
| 8 | Total Operating Expenses | | <u>2,306,542</u> | |
| 9 | Income Before Tennessee Excise and Federal Income Tax Expense | | <u>(139,683)</u> | |
| 10 | Tennessee Excise Tax | 6.50% | <u>(9,079)</u> | |
| 11 | Income Before Federal Income Tax Expense | | <u>(130,604)</u> | |
| | Tennessee Excise Tax Calculation: | | | |
| 12 | Net Income Before Income Taxes | | (130,604) | |
| 13 | Excise Tax Rate | | 0.0650 | |
| 14 | Excise Tax Expense | | <u>(8,489)</u> | |
| | Federal Income Tax Calculation: | | | |
| 15 | Net Income Before Income Taxes | | (130,604) | |
| 16 | State Excise Tax Expense | | <u>(8,489)</u> | |
| 17 | Net Income Before Federal Income Tax | | <u>(122,114)</u> | |
| 18 | FIT Rate | 21.00% | 21.00% | |
| 19 | Federal Income Tax Expense | | <u>(25,644)</u> | |

A/ Schedule 2.

Tennessee Wastewater Systems, Inc.
Income Statement at Proposed Rates
For the 12 Months Ending December 31, 2020

| Line No. | | Current Rates | | Rate Increase | | Proposed Rates |
|-------------|-----------------------------------|------------------|----|------------------|----|-------------------|
| | Operating Revenues: | | | | | |
| 1 | Wastewater Revenues | 2,148,533 | A/ | 449,198 | B/ | 2,597,731 |
| 2 | Other Revenues | 18,326 | A/ | 3,137 | C/ | 21,463 |
| 3 | Total Operating Revenue | 2,166,859 | | 452,336 | | 2,619,194 |
| | Expenses: | | | | | |
| 4 | Operating Expenses | 1,273,186 | A/ | - | | 1,273,186 |
| 5 | Contractual Services | 386,670 | A/ | - | | 386,670 |
| 6 | Administrative & General Expenses | 372,916 | A/ | 1,797 | D/ | 374,713 |
| 7 | Miscellaneous Expenses | 85,691 | A/ | - | | 85,691 |
| 8 | Taxes Other Than Income Expenses | 181,480 | A/ | - | | 181,480 |
| 9 | Non-Utility Expenses | 6,600 | A/ | - | | 6,600 |
| 10 | State Income Tax Expense | (8,489) | A/ | 29,285 | E/ | 20,796 |
| 11 | Federal Income Tax Expense | (25,644) | A/ | 88,463 | F/ | 62,819 |
| 12 | Total Expenses | 2,272,408 | | 119,545 | | 2,391,954 |
| 13 | Net Operating Income | (105,550) | | 332,790 | | 227,241 B/ |

A/ Schedule 2.
B/ Schedule 1.
C/ Schedule 1, Line 7 x Schedule 12, Line 2.
D/ Schedule 1, Line 7 x Schedule 12, Line 4.
E/ Schedule 1, Line 7 x Schedule 12, Line 6.
F/ Schedule 1, Line 7 x Schedule 12, Line 8.

Tennessee Wastewater Systems, Inc.
Revenue Conversion Factor
For the 12 Months Ending December 31, 2020

| Line No. | | Amount | Balance |
|-------------|---|-------------|----------|
| 1 | Operating Revenues | | 1.000000 |
| 2 | Add: Forfeited Discounts | 0.006984 A/ | 0.006984 |
| 3 | Balance | | 1.006984 |
| 4 | Uncollectible Expense Ratio | 0.003973 B/ | 0.004001 |
| 5 | Balance | | 1.002984 |
| 6 | State Excise Tax | 0.065000 C/ | 0.065194 |
| 7 | Balance | | 0.937790 |
| 8 | Federal Income Tax | 0.210000 D/ | 0.196936 |
| 9 | Balance | | 0.740854 |
| 10 | Revenue Conversion Factor (Line 1 / Line 9) | | 1.349793 |

| | | | |
|----|--|-----------------|-------------|
| A/ | Forfeited Discounts | 15,006 | Schedule 3. |
| | Residential & Commercial & Sewer Access Fees | 2,148,533 | Schedule 3. |
| | Forfeited Discount Ratio | <u>0.006984</u> | |
| B/ | Bad Debt Expense | 8,536 | Schedule 6. |
| | Residential & Commercial & Sewer Access Fees | 2,148,533 | Schedule 3. |
| | Uncollectible Expense Ratio | <u>0.003973</u> | |
| C/ | Statutory State Excise Tax Rate of 6.50%. | | |
| D/ | Statutory Federal Income Tax Rate of 21%. | | |

Tennessee Wastewater Systems, Inc.
Rate Design
For the 12 Months Ending December 31, 2020

| | Bills/Usage | Current Base Rate | Current Escrow Rate | Base Rate Revenue | Escrow Revenue | Proposed Base Rate | Proposed Escrow Rate | Proposed Base Revenue | Proposed Escrow Revenue | Proposed Combined Increase % |
|---------------------------------------|---------------|-------------------------|---------------------------|----------------------|-------------------|--|----------------------------|-----------------------------|-------------------------------|------------------------------------|
| Residential Rates: | | | | | | | | | | |
| Rate Class 1 | 28,528 | 34.02 | 10.13 | 970,535 | 288,992 | 41.25 | 6.50 | 1,176,795 | 185,434 | 8.15% |
| Rate Class 2 | 424 | 34.02 | 10.13 | 14,424 | 4,295 | 41.25 | 6.50 | 17,490 | 2,756 | 8.15% |
| Rate Class 5 | 996 | 30.71 | 8.43 | 30,587 | 8,396 | 37.35 | 5.00 | 37,201 | 4,980 | 8.20% |
| Rate Class 6 | 1,894 | 30.71 | 8.43 | 58,165 | 15,966 | 37.35 | 5.00 | 70,741 | 9,470 | 8.20% |
| Rate Class 9 excl. TC charge | 2,398 | 17.59 | 6.35 | 42,181 | 15,227 | 20.94 | 3.00 | 50,214 | 7,194 | 0.00% |
| Total | 34,240 | | | 1,115,892 | 332,877 | | | 1,352,440 | 209,834 | |
| Commercial Without Food Rates: | | | | | | | | | | |
| Tier 1 (0 - 300 GPD) | 357 | 80.40 | 21.75 | 28,720 | 7,769 | 97.75 | 13.05 | 34,917 | 4,662 | 8.47% |
| Tier 2.1 (301 - 400 GPD) | 0 | 96.43 | 26.17 | - | - | 117.25 | 15.80 | - | - | 8.52% |
| Tier 2.2 (401 - 500 GPD) | 52 | 112.46 | 30.59 | 5,808 | 1,580 | 136.75 | 18.55 | 7,062 | 958 | 8.56% |
| Tier 2.3 (501 - 600 GPD) | 13 | 128.49 | 35.01 | 1,659 | 452 | 156.25 | 21.30 | 2,017 | 275 | 8.59% |
| Tier 2.4 (601 - 700 GPD) | 3 | 144.52 | 39.43 | 466 | 127 | 175.75 | 24.05 | 567 | 78 | 8.62% |
| Tier 2.5 (701 - 800 GPD) | 15 | 160.55 | 43.85 | 2,418 | 661 | 195.25 | 26.80 | 2,941 | 404 | 8.64% |
| Tier 2.6 (801 - 900 GPD) | 0 | 176.59 | 48.26 | - | - | 214.75 | 29.55 | - | - | 8.65% |
| Tier 2.7 (901 - 1,000 GPD) | 29 | 192.62 | 52.68 | 5,596 | 1,530 | 234.25 | 32.30 | 6,805 | 938 | 8.66% |
| Tier 3.1 (1,001 - 2,000 GPD) | 22 | 316.43 | 86.82 | 6,809 | 1,868 | 388.40 | 49.15 | 8,358 | 1,058 | 8.51% |
| Tier 3.2 (2,001 - 3,000 GPD) | 13 | 440.28 | 120.92 | 5,685 | 1,561 | 543.40 | 66.00 | 7,016 | 852 | 8.59% |
| Tier 3.3 (3,001 - 4,000 GPD) | 8 | 564.13 | 155.02 | 4,249 | 1,168 | 698.40 | 82.85 | 5,260 | 624 | 8.64% |
| Tier 3.4 (4,001 - 5,000 GPD) | 2 | 687.98 | 189.12 | 1,480 | 407 | 853.40 | 99.70 | 1,836 | 215 | 8.66% |
| Tier 3.5 (5,001 - 6,000 GPD) | 0 | 811.83 | 223.22 | - | - | 1,008.40 | 116.55 | - | - | 8.69% |
| Tier 3.6 (6,001 - 7,000 GPD) | 0 | 935.68 | 257.32 | - | - | 1,163.40 | 133.40 | - | - | 8.70% |
| Tier 3.7 (7,001 - 8,000 GPD) | 0 | 1,059.53 | 291.42 | - | - | 1,318.40 | 150.25 | - | - | 8.71% |
| Tier 3.8 (8,001 - 9,000 GPD) | 0 | 1,183.38 | 325.52 | - | - | 1,473.40 | 167.10 | - | - | 8.72% |
| Tier 3.9 (9,001 - 10,000 GPD) | 26 | 1,307.23 | 359.62 | 33,756 | 9,286 | 1,628.40 | 183.95 | 42,049 | 4,750 | 8.73% |
| Contract 25,000 GPD | 13 | 3,164.98 | 871.12 | 40,864 | 11,247 | 3,953.40 | 436.70 | 51,043 | 5,638 | 8.77% |
| Total | 552 | | | 137,509 | 37,657 | | | 169,872 | 20,451 | |
| Commercial With Food Rates: | | | | | | | | | | |
| Tier 1 (0 - 300 GPD) | 85 | 107.15 | 29.00 | 9,108 | 2,465 | 130.30 | 17.40 | 11,075 | 1,479 | 8.48% |
| Tier 2.1 (301 - 400 GPD) | 17 | 126.43 | 34.22 | 2,176 | 589 | 154.05 | 20.30 | 2,652 | 349 | 8.53% |
| Tier 2.2 (401 - 500 GPD) | 26 | 145.71 | 39.44 | 3,763 | 1,018 | 177.80 | 23.20 | 4,591 | 599 | 8.56% |
| Tier 2.3 (501 - 600 GPD) | 0 | 164.99 | 44.66 | - | - | 201.55 | 26.10 | - | - | 8.59% |
| Tier 2.4 (601 - 700 GPD) | 1 | 184.27 | 49.88 | 198 | 54 | 225.30 | 29.00 | 242 | 31 | 8.61% |
| Tier 2.5 (701 - 800 GPD) | 28 | 203.55 | 55.10 | 5,694 | 1,541 | 249.05 | 31.90 | 6,967 | 892 | 8.62% |
| Tier 2.6 (801 - 900 GPD) | 5 | 222.83 | 60.32 | 1,199 | 325 | 272.80 | 34.80 | 1,468 | 187 | 8.63% |
| Tier 2.7 (901 - 1,000 GPD) | 0 | 242.11 | 65.54 | - | - | 296.55 | 37.70 | - | - | 8.65% |
| Tier 3.1 (1,001 - 2,000 GPD) | 36 | 393.52 | 107.18 | 13,983 | 3,805 | 484.75 | 58.95 | 17,211 | 2,093 | 8.52% |
| Tier 3.2 (2,001 - 3,000 GPD) | 26 | 545.83 | 148.82 | 14,087 | 3,843 | 673.90 | 80.20 | 17,402 | 2,071 | 8.61% |
| Tier 3.3 (3,001 - 4,000 GPD) | 2 | 697.24 | 190.46 | 1,500 | 410 | 863.05 | 101.45 | 1,857 | 218 | 8.65% |
| Tier 3.4 (4,001 - 5,000 GPD) | 13 | 849.02 | 232.10 | 10,962 | 2,997 | 1,052.20 | 122.70 | 13,585 | 1,584 | 8.67% |
| Tier 3.5 (5,001 - 6,000 GPD) | 13 | 1,000.80 | 273.74 | 12,921 | 3,534 | 1,241.35 | 143.95 | 16,027 | 1,859 | 8.69% |
| Tier 3.6 (6,001 - 7,000 GPD) | 0 | 1,152.58 | 315.38 | - | - | 1,430.50 | 165.20 | - | - | 8.70% |
| Tier 3.7 (7,001 - 8,000 GPD) | 0 | 1,304.36 | 357.02 | - | - | 1,619.65 | 186.45 | - | - | 8.71% |
| Tier 3.8 (8,001 - 9,000 GPD) | 39 | 1,456.14 | 398.66 | 56,401 | 15,441 | 1,808.80 | 207.70 | 70,061 | 8,045 | 8.72% |
| Tier 3.9 (9,001 - 10,000 GPD) | 13 | 1,607.92 | 440.30 | 20,760 | 5,685 | 1,997.95 | 228.95 | 25,796 | 2,956 | 8.72% |
| Contract 25,000 GPD | 13 | 3,884.62 | 1,064.90 | 50,155 | 13,749 | 4,835.20 | 547.70 | 62,428 | 7,071 | 8.76% |
| Total | 316 | | | 202,908 | 55,457 | | | 251,363 | 29,436 | |
| Commercial Cabin Rates: | | | | | | | | | | |
| Tier 1 (0 - 300 GPD) | 8,570 | 53.20 | 15.95 | 455,912 | 136,688 | (See Commercial Cabin Rate Design Table Below) | | | | |
| Tier 2.1 (301 - 400 GPD) | 201 | 64.66 | 19.49 | 13,010 | 3,921 | | | | | |
| Tier 2.2 (401 - 500 GPD) | 88 | 76.13 | 23.02 | 6,717 | 2,031 | | | | | |
| Tier 2.3 (501 - 600 GPD) | 48 | 87.59 | 26.56 | 4,241 | 1,286 | | | | | |
| Tier 2.4 (601 - 700 GPD) | 57 | 99.05 | 30.10 | 5,648 | 1,716 | | | | | |
| Tier 2.5 (701 - 800 GPD) | 31 | 110.52 | 33.63 | 3,448 | 1,049 | | | | | |
| Tier 2.6 (801 - 900 GPD) | 17 | 121.98 | 37.17 | 2,100 | 640 | | | | | |
| Tier 2.7 (901 - 1,000 GPD) | 20 | 133.44 | 40.71 | 2,728 | 832 | | | | | |
| Tier 3.1 (1,001 - 2,000 GPD) | 44 | 254.15 | 77.95 | 11,211 | 3,439 | | | | | |
| Tier 3.2 (2,001 - 3,000 GPD) | 4 | 374.86 | 115.19 | 1,613 | 496 | | | | | |
| Tier 3.3 (3,001 - 4,000 GPD) | 2 | 495.57 | 152.43 | 1,066 | 328 | | | | | |
| Tier 3.4 (4,001 - 5,000 GPD) | 0 | 616.28 | 189.67 | - | - | | | | | |
| Tier 3.5 (5,001 - 6,000 GPD) | 0 | 736.99 | 226.91 | - | - | | | | | |
| Tier 3.6 (6,001 - 7,000 GPD) | 0 | 857.70 | 264.15 | - | - | | | | | |
| Tier 3.7 (7,001 - 8,000 GPD) | 1 | 978.41 | 301.39 | 1,053 | 324 | | | | | |
| Total | 9,085 | | | 508,748 | 152,751 | | | 640,658 | 131,376 | |
| Subtotal Monthly Service Fees | | | | 1,965,056 | | | | 2,414,334 | 391,097 | |
| Sewer Access Fees | | | | 183,477 | | | | 183,477 | | |
| Wastewater Revenues | | | | 2,148,533 | 578,741 | | | 2,597,811 | 391,097 | |

COMMERCIAL CABIN RATE DESIGN
(Redesigned from GPD to Square Feet)

| Rate Class | Square Feet | Number of Cabins | Annual Bills | Proposed Base Rate | Proposed Escrow Rate | Proposed Combined Rate | Proposed Base Revenue | Proposed Escrow Revenue |
|-------------|-------------|---------------------|-----------------|--------------------------|----------------------------|------------------------------|-----------------------------|-------------------------------|
| Small | 0-1000 A/ | 9 | 565 | 62.00 | 12.00 | 74.00 | 35,030 | 6,780 |
| Small | 1001-2000 | 255 | 3060 | 62.00 | 12.00 | 74.00 | 189,720 | 36,720 |
| Medium | 2001-3000 | 214 | 2568 | 71.00 | 15.00 | 86.00 | 182,328 | 38,520 |
| Medium | 3001-4000 | 103 | 1236 | 71.00 | 15.00 | 86.00 | 87,756 | 18,540 |
| Large | 4001-5000 | 84 | 1008 | 84.00 | 18.00 | 102.00 | 84,672 | 18,144 |
| Large | 5001-6000 | 26 | 312 | 84.00 | 18.00 | 102.00 | 26,208 | 5,616 |
| Extra Large | 6001-7000 | 18 | 216 | 104.00 | 21.00 | 125.00 | 22,464 | 4,536 |
| Extra Large | 7001+ | 10 | 120 | 104.00 | 21.00 | 125.00 | 12,480 | 2,520 |
| | | 719 | 9085 | | | | 640,658 | 131,376 |

| | |
|---|---------|
| Commercial Cabin Class Increase: | |
| Proposed Combined Revenue | 772,034 |
| Current Combined Revenue | 661,498 |
| Class Revenue Increase | 110,536 |
| Class Percentage Increase | 16.71% |

A/ All new customer growth added into the small cabin rate group

WORKPAPERS

Tennessee Wastewater Systems, Inc.
Revenue Workpapers
For the 12 Months Ending December 31, 2020

| Line No. | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Average Period | Attrition Amount |
|----------|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|
| 1 | Residential | 300,287 | 303,873 | 333,238 | 322,545 | 353,371 | 373,741 | 407,482 | 957,687 | 1,056,119 | Priceout | 1,115,892 A/ |
| 2 | Commercial | 308,384 | 296,552 | 278,302 | 270,642 | 267,014 | 290,750 | 337,739 | 751,549 | 761,523 | Priceout | 849,164 B/ |
| 3 | Sewer Access Fees | 199,700 | 169,254 | 208,212 | 204,997 | 197,208 | 182,918 | 198,628 | 178,680 | 173,123 | 3 | 183,477 |
| 4 | Operations & Maintenance | 545,890 | 591,960 | 666,496 | 681,767 | 704,369 | 756,922 | 831,932 | 1,050 | 363 | Elimination | 0 |
| 5 | Billing & Collecting | 42,002 | 37,256 | 38,631 | 40,171 | 40,754 | 46,946 | 50,159 | 0 | -161 | Elimination | 0 |
| 6 | Bonding | 11,959 | 12,630 | 11,683 | 48,172 | 61,332 | 43,804 | 39,228 | 37,459 | 4,182 | Elimination | 0 |
| 7 | Franchise Income | 2,265 | 2,398 | 2,403 | 2,305 | 2,479 | 2,502 | 2,582 | 2,787 | 3,390 | Elimination | 0 |
| 8 | Bioxide | -1,013 | -4,994 | 1,415 | 9,633 | 7,611 | 10,524 | 902 | 7,202 | 0 | Elimination | 0 |
| 9 | Penalty Fees | 20,037 | 16,115 | 18,688 | 16,867 | 13,832 | 14,216 | 16,403 | 13,963 | 14,651 | 3 | 15,006 |
| 10 | Developer Income | 12,800 | 2,400 | 227,800 | 133,300 | 65,200 | 309,550 | 151,030 | 156,445 | 206,250 | Elimination | 0 D/ |
| 11 | Miscellaneous | 0 | 0 | 0 | 0 | 0 | 0 | 1,715 | 2,690 | 3,889 | Priceout | 3,320 C/ |
| 12 | Total Revenues | 1,442,311 | 1,427,444 | 1,786,868 | 1,730,399 | 1,713,170 | 2,031,873 | 2,037,780 | 2,109,512 | 2,223,128 | | 2,166,859 |

A/ Workpaper 2.
B/ Workpaper 3.
C/ Workpaper 4.
D/ Developer Income will be recorded as Contributions In Aid of Construction.

Tennessee Wastewater Systems, Inc.
Revenue Priceout - Residential Summary

| | 2018 Test Period | Growth Adjustment | 2020 Attr Period |
|-----------------------------------|-----------------------------|------------------------------|-----------------------------|
| Rate 1: | | | |
| Total Bills | 23,967 | 4,561 | 28,528 |
| Net Base Rate | \$34.02 | \$34.02 | \$34.02 |
| Rate 1 Base Revenue | \$815,357.34 | \$155,177.39 | \$970,534.73 |
| Rate 2: | | | |
| Total Bills | 424 | | 424 |
| Net Base Rate | \$34.02 | | \$34.02 |
| Rate 2 Base Revenue | \$14,424.48 | | \$14,424.48 |
| Rate 5: | | | |
| Total Bills | 996 | | 996 |
| Net Base Rate | \$30.71 | | \$30.71 |
| Rate 5 Base Revenue | \$30,587.16 | | \$30,587.16 |
| Rate 6: | | | |
| Total Bills | 1,894 | | 1,894 |
| Net Base Rate | \$30.71 | | \$30.71 |
| Rate 6 Base Revenue | \$58,164.74 | | \$58,164.74 |
| Rate 9: | | | |
| Total Bills | 2,398 | | 2,398 |
| Net Base Rate | \$17.59 | | \$17.59 |
| Rate 9 Base Revenue | \$42,180.82 A/ | | \$42,180.82 |
| Total Residential Revenues | \$960,714.54 | | \$1,115,891.93 |
| Total Residential Bills | 29,679 B/ | 4,561 | 34,240 |

A/ Not include TC Pass-through amount.

B/ Tied to TPUC Form 3.19.

Tennessee Wastewater Systems, Inc.
Revenue Priceout - Commercial Revenues

| | Middle TN Bills | East TN Bills | Total Bills | Base Rate | Base Fee Revenue | Test Period Average Bill | Attrition Period Bills | Service Revenue |
|---------------------------------------|--------------------|------------------|----------------|--------------|---------------------|-----------------------------|---------------------------|---------------------|
| Commercial Without Food Rates: | | | | | | | | |
| Tier 1 (0 - 300 GPD) | 181 | 151 | 332 | \$80.40 | \$26,692.80 | | 357 | \$28,719.58 |
| Tier 2.1 (301 - 400 GPD) | 0 | 0 | 0 | \$96.43 | \$0.00 | | 0 | \$0.00 |
| Tier 2.2 (401 - 500 GPD) | 48 | 0 | 48 | \$112.46 | \$5,398.08 | | 52 | \$5,807.96 |
| Tier 2.3 (501 - 600 GPD) | 12 | 0 | 12 | \$128.49 | \$1,541.88 | | 13 | \$1,658.95 |
| Tier 2.4 (601 - 700 GPD) | | 3 | 3 | \$144.52 | \$433.56 | | 3 | \$466.48 |
| Tier 2.5 (701 - 800 GPD) | 12 | 2 | 14 | \$160.55 | \$2,247.70 | | 15 | \$2,418.37 |
| Tier 2.6 (801 - 900 GPD) | 0 | | | \$176.59 | \$0.00 | | 0 | \$0.00 |
| Tier 2.7 (901 - 1,000 GPD) | 24 | 3 | 27 | \$192.62 | \$5,200.74 | | 29 | \$5,595.63 |
| Tier 3.1 (1,001 - 2,000 GPD) | 12 | 8 | 20 | \$316.43 | \$6,328.60 | | 22 | \$6,809.13 |
| Tier 3.2 (2,001 - 3,000 GPD) | 0 | 12 | 12 | \$440.28 | \$5,283.36 | | 13 | \$5,684.52 |
| Tier 3.3 (3,001 - 4,000 GPD) | 0 | 7 | 7 | \$564.13 | \$3,948.91 | | 8 | \$4,248.75 |
| Tier 3.4 (4,001 - 5,000 GPD) | 0 | 2 | 2 | \$687.98 | \$1,375.96 | | 2 | \$1,480.44 |
| Tier 3.5 (5,001 - 6,000 GPD) | | | | \$811.83 | \$0.00 | | 0 | \$0.00 |
| Tier 3.6 (6,001 - 7,000 GPD) | | | | \$935.68 | \$0.00 | | 0 | \$0.00 |
| Tier 3.7 (7,001 - 8,000 GPD) | | | | \$1,059.53 | \$0.00 | | 0 | \$0.00 |
| Tier 3.8 (8,001 - 9,000 GPD) | | | | \$1,183.38 | \$0.00 | | 0 | \$0.00 |
| Tier 3.9 (9,001 - 10,000 GPD) | 24 | | 24 | \$1,307.23 | \$31,373.52 | | 26 | \$33,755.71 |
| Unknown 25,000 GPD | 12 | | 12 | \$3,164.98 | \$37,979.76 | | 0 | \$0.00 |
| | | | | | | | 13 | \$40,863.56 |
| Total | 325 | 188 | 501 | | \$127,804.87 | \$255.10 | 552 | \$137,509.07 |
| Commercial With Food Rates: | | | | | | | | |
| Tier 1 (0 - 300 GPD) | 24 | 55 | 79 | \$107.15 | \$8,464.85 | | 85 | \$9,107.58 |
| Tier 2.1 (301 - 400 GPD) | 12 | 4 | 16 | \$126.43 | \$2,022.88 | | 17 | \$2,176.48 |
| Tier 2.2 (401 - 500 GPD) | 24 | | 24 | \$145.71 | \$3,497.04 | | 26 | \$3,762.57 |
| Tier 2.3 (501 - 600 GPD) | | | | \$164.99 | \$0.00 | | 0 | \$0.00 |
| Tier 2.4 (601 - 700 GPD) | 0 | 1 | 1 | \$184.27 | \$184.27 | | 1 | \$198.26 |
| Tier 2.5 (701 - 800 GPD) | 24 | 2 | 26 | \$203.55 | \$5,292.30 | | 28 | \$5,694.14 |
| Tier 2.6 (801 - 900 GPD) | | 5 | 5 | \$222.83 | \$1,114.15 | | 5 | \$1,198.75 |
| Tier 2.7 (901 - 1,000 GPD) | | | | \$242.11 | \$0.00 | | 0 | \$0.00 |
| Tier 3.1 (1,001 - 2,000 GPD) | 18 | 15 | 33 | \$393.82 | \$12,996.06 | | 36 | \$13,982.85 |
| Tier 3.2 (2,001 - 3,000 GPD) | 12 | 12 | 24 | \$545.53 | \$13,092.72 | | 26 | \$14,086.85 |
| Tier 3.3 (3,001 - 4,000 GPD) | 0 | 2 | 2 | \$697.24 | \$1,394.48 | | 2 | \$1,500.36 |
| Tier 3.4 (4,001 - 5,000 GPD) | 12 | | 12 | \$849.02 | \$10,188.24 | | 13 | \$10,961.83 |
| Tier 3.5 (5,001 - 6,000 GPD) | 12 | | 12 | \$1,000.80 | \$12,009.60 | | 13 | \$12,921.49 |
| Tier 3.6 (6,001 - 7,000 GPD) | | | | \$1,152.58 | \$0.00 | | 0 | \$0.00 |
| Tier 3.7 (7,001 - 8,000 GPD) | | | | \$1,304.36 | \$0.00 | | 0 | \$0.00 |
| Tier 3.8 (8,001 - 9,000 GPD) | 36 | | 36 | \$1,456.14 | \$52,421.04 | | 39 | \$56,401.36 |
| Tier 3.9 (9,001 - 10,000 GPD) | 12 | | 12 | \$1,607.92 | \$19,295.04 | | 13 | \$20,760.11 |
| Unknown 25,000 GPD | 12 | | 12 | \$3,884.62 | \$46,615.44 | | 13 | \$50,154.94 |
| | | | | | \$0.00 | | 0 | \$0.00 |
| Total | 198 | 96 | 294 | | \$188,588.11 | \$641.46 | 316 | \$202,907.57 |
| Commercial Cabin Rates: | | | | | | | | |
| Tier 1 (0 - 300 GPD) | | 7,965 | 7,965 | \$53.20 | \$423,738.00 | | 8,570 | |
| Tier 2.1 (301 - 400 GPD) | | 187 | 187 | \$64.66 | \$12,091.42 | | 201 | |
| Tier 2.2 (401 - 500 GPD) | | 82 | 82 | \$76.13 | \$6,242.66 | | 88 | |
| Tier 2.3 (501 - 600 GPD) | | 45 | 45 | \$87.59 | \$3,941.55 | | 48 | |
| Tier 2.4 (601 - 700 GPD) | | 53 | 53 | \$99.05 | \$5,249.65 | | 57 | |
| Tier 2.5 (701 - 800 GPD) | | 29 | 29 | \$110.52 | \$3,205.08 | | 31 | |
| Tier 2.6 (801 - 900 GPD) | | 16 | 16 | \$121.98 | \$1,951.68 | | 17 | |
| Tier 2.7 (901 - 1,000 GPD) | | 19 | 19 | \$133.44 | \$2,535.36 | | 20 | |
| Tier 3.1 (1,001 - 2,000 GPD) | | 41 | 41 | \$254.15 | \$10,420.15 | | 44 | |
| Tier 3.2 (2,001 - 3,000 GPD) | | 4 | 4 | \$374.86 | \$1,499.44 | | 4 | |
| Tier 3.3 (3,001 - 4,000 GPD) | | 2 | 2 | \$495.57 | \$991.14 | | 2 | |
| Tier 3.4 (4,001 - 5,000 GPD) | | 0 | 0 | \$616.28 | \$0.00 | | 0 | |
| Tier 3.5 (5,001 - 6,000 GPD) | | 0 | 0 | \$736.99 | \$0.00 | | 0 | |
| Tier 3.6 (6,001 - 7,000 GPD) | | 0 | 0 | \$857.70 | \$0.00 | | 0 | |
| Tier 3.7 (7,001 - 8,000 GPD) | | 1 | 1 | \$978.41 | \$978.41 | | 1 | |
| Total | | 8,444 | 8,444 | | \$472,844.54 | \$56.00 | 9,085 | \$508,747.55 |
| Total Commercial Revenue | | | 9,239 | | \$789,237.52 | | | \$849,164.19 |

Tennessee Wastewater Systems, Inc.
Revenue Priceout - Miscellaneous Revenue

| | 2017 Determinants | 2018 Determinants | Average Determinants | Tariff Rate | Attrition Revenue |
|------------------------------------|----------------------|----------------------|-------------------------|----------------|----------------------|
| Disconnection Revenue: | | | | | |
| East Tennessee | 6 | 30 | 18 | \$40.00 | \$720.00 |
| Middle Tennessee | 30 | 20 | 25 | 40.00 | 1000.00 |
| Total Disconnection Revenue | 36 | 50 | 43 | | \$1,720.00 |

| | | | | | |
|-----------------------------------|-----------|-----------|-----------|---------|-------------------|
| Reconnection Revenue: | | | | | |
| East Tennessee | 3 | 24 | 14 | \$50.00 | \$675.00 |
| Middle Tennessee | 22 | 12 | 17 | 50.00 | 850.00 |
| Total Reconnection Revenue | 25 | 36 | 31 | | \$1,525.00 |

| Convenience Fee Revenue: | 2017 Amount | 2018 Amount | Average Amount | Attrition Amount |
|--------------------------|-------------------|--------------------|-------------------|---------------------|
| Month | | | | |
| January | \$639.87 | \$875.14 | \$757.51 | \$0.00 |
| February | 603.08 | 944.75 | \$773.92 | 0.00 |
| March | 577.96 | 858.08 | \$718.02 | 0.00 |
| April | 578.17 | 792.94 | \$685.56 | 0.00 |
| May | 570.43 | 952.48 | \$761.46 | 0.00 |
| June | 675.80 | 1,068.51 | \$872.16 | 0.00 |
| July | 632.13 | 933.90 | \$783.02 | 0.00 |
| August | 621.62 | 994.57 | \$808.10 | 0.00 |
| September | 663.33 | 1,031.67 | \$847.50 | 0.00 |
| October | 527.48 | 1,119.34 | \$823.41 | 0.00 |
| November | 705.00 | 1,002.41 | \$853.71 | 0.00 |
| December | 789.09 | 1,174.80 | \$981.95 | 0.00 |
| Total | \$7,583.96 | \$11,748.59 | \$9,666.28 | \$0.00 |

Convenience Fee Revenue is non-tariffed. Therefore, these revenues are excluded from the rate case.

| | 2017 Determinants | 2018 Determinants | Average Determinants | Tariff Rate | Attrition Revenue |
|--|----------------------|----------------------|-------------------------|----------------|-----------------------|
| Returned Check Revenue: | | | | | |
| East Tennessee | 2 | 1 | 1.5 | 25.00 | \$37.50 |
| Middle Tennessee | 1 | 2 | 1.5 | 25.00 | \$37.50 |
| Total Returned Check Revenue | 3 | 3 | 3 | | \$75.00 |
| Total Miscellaneous Revenue | | | | | \$3,320.00 |

A/ Monthly figures from 2017 and 2018 Bank and NSF Fees spreadsheets.

Tennessee Wastewater Systems, Inc.
Operating & Maintenance Expense Worksheet
For the 12 Months Ending December 31, 2020

| Line No. | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Method | Attrition Amount |
|----------|--|----------------|----------------|----------------|----------------|----------------|------------------|----------------|------------------|------------------|------------------------|------------------|
| 1 | Salary & Wages Expense - Employees | 0 | 0 | 0 | 0 | 239,588 | 516,024 | 450,488 | 551,087 | 642,157 | Priceout Worksheet | 623,560 A/ |
| 2 | Salary & Wages Expense - Officers | 0 | 0 | 0 | 0 | 187 | 537 | 875 | 0 | 0 | Eliminate | 0 |
| 3 | Life Insurance Expense | 0 | 0 | 0 | 0 | 1,403 | 2,399 | 1,917 | 1,919 | 2,091 | GDP Deflator | 2,145 |
| 4 | Worker's Compensation Expense | 0 | 0 | 0 | 0 | 19,787 | 1,354 | 16,100 | 16,705 | 16,196 | Priceout Worksheet | 18,864 A/ |
| 5 | IRA Contribution Expense | 0 | 0 | 0 | 0 | 1,782 | 5,966 | 6,321 | 10,252 | 14,611 | Priceout Worksheet | 13,865 A/ |
| 6 | Purchased Wastewater Treatment Expense | 111,892 | 99,492 | 136,839 | 112,918 | 115,073 | 105,897 | 107,923 | 110,812 | 116,597 | Eliminate Pass-Through | 0 |
| 7 | Purchased Power Expense | 37,124 | 38,843 | 61,113 | 94,039 | 121,791 | 118,441 | 132,976 | 144,155 | 160,563 | Inflation Factor | 177,021 |
| 8 | Telemetry Monitoring Expense | 21,165 | 19,568 | 37,633 | 64,378 | 97,229 | 124,173 | 157,838 | 166,827 | 173,192 | GDP Deflator | 177,643 |
| 9 | Bioxide Expense | 0 | 0 | 17,267 | 0 | 0 | 0 | 3,882 | 2,208 | 3,680 | Eliminate Pass-Through | 0 |
| 10 | Materials & Supplies Expense | 3,097 | 0 | 92,077 | 1,520 | 140,190 | 179,399 | 67,969 | 104,460 | 190,953 | Priceout Worksheet | 260,088 |
| 11 | Total Operation & Maintenance Expense | 173,278 | 157,903 | 344,929 | 272,855 | 737,030 | 1,054,190 | 946,289 | 1,108,427 | 1,320,041 | | 1,273,186 |

A/ Worksheet 6.

Tennessee Wastewater Systems, Inc.
Salary Expense Summary
For the 12 Months Ending December 31, 2020

| Employee ID | Position | A/ 2019 Compensation Rate | Annualized Hours | Annual Compensation Projection | B/ 2020 Adjustments | Pro Forma Base Pay | A/ IRA Contribution Percent | IRA Contribution Amount | C/ Workers Compensation Rate | Workers Compensation Amount | D/ 2020 FICA Expense @ 7.65% | E/ SUI Tax Amount |
|-------------|---------------------------|------------------------------------|---------------------|--------------------------------------|---------------------------|-----------------------|--------------------------------------|-------------------------------|---------------------------------------|-----------------------------------|------------------------------------|----------------------------|
| 1 Z55872 | CUSTOMER CARE | | | \$ 42,400.00 | \$ 1,272.00 | \$ 43,672.00 | 0% | \$ - | 0.14% | \$ 61.14 | \$ 3,244 | \$ 420 |
| 2 I52209 | MAINTENANCE TECHNICIAN | 16.50 | 2080 | \$ 34,320.00 | \$ 1,029.60 | \$ 35,349.60 | 3% | \$ 1,060 | 3.43% | \$ 1,212.49 | \$ 2,625 | \$ 420 |
| 3 P52095 | CUSTOMER CARE | 17.51 | 2080 | \$ 36,420.80 | \$ 1,092.62 | \$ 37,513.42 | 3% | \$ 1,125 | 0.14% | \$ 52.52 | \$ 2,786 | \$ 420 |
| 4 B57434 | MAINTENANCE TECHNICIAN | 12.50 | 2080 | \$ 26,000.00 | \$ 780.00 | \$ 26,780.00 | 0% | \$ - | 3.43% | \$ 918.55 | \$ 1,989 | \$ 420 |
| 5 M52093 | OPERATOR I | | | \$ 45,618.70 | \$ 1,368.56 | \$ 46,987.26 | 3% | \$ 1,410 | 3.43% | \$ 1,611.66 | \$ 3,490 | \$ 420 |
| 6 V52100 | OPERATOR I | | | \$ 52,000.00 | \$ 1,560.00 | \$ 53,560.00 | 3% | \$ 1,607 | 3.43% | \$ 1,837.11 | \$ 3,978 | \$ 420 |
| 7 N52094 | OPERATOR II | | | \$ 51,855.35 | \$ 1,555.66 | \$ 53,411.01 | 3% | \$ 1,602 | 3.43% | \$ 1,832.00 | \$ 3,967 | \$ 420 |
| 8 L52092 | OPERATIONS MANAGER | | | \$ 56,378.01 | \$ 1,691.34 | \$ 58,069.35 | 3% | \$ 1,742 | 3.43% | \$ 1,991.78 | \$ 4,313 | \$ 420 |
| 9 U52099 | MAINTENANCE TECHNICIAN | 15.45 | 2080 | \$ 32,136.00 | \$ 964.08 | \$ 33,100.08 | 0% | \$ - | 3.43% | \$ 1,135.33 | \$ 2,458 | \$ 420 |
| 10 J52090 | MAINTENANCE TECH - EXEMPT | | | \$ 43,775.00 | \$ 1,313.25 | \$ 45,088.25 | 3% | \$ 1,353 | 3.43% | \$ 1,546.53 | \$ 3,349 | \$ 420 |
| 11 S52097 | TEAM LEADER MTN | | | \$ 64,800.00 | \$ 1,944.00 | \$ 66,744.00 | 3% | \$ 2,002 | 3.43% | \$ 2,289.32 | \$ 4,957 | \$ 420 |
| 12 T52098 | OPERATOR II | 28.62 | 2080 | \$ 63,534.00 | \$ 1,906.02 | \$ 65,440.02 | 3% | \$ 1,963 | 3.43% | \$ 2,244.59 | \$ 4,860 | \$ 420 |
| 13 R52096 | MAINTENANCE TECH - EXEMPT | 14.50 | 2080 | \$ 30,160.00 | \$ 904.80 | \$ 31,064.80 | 0% | \$ - | 3.43% | \$ 1,065.52 | \$ 2,307 | \$ 420 |
| 14 Vacant | MAINTENANCE TECH | 12.50 | 2080 | \$ 26,000.00 | \$ 780.00 | \$ 26,780.00 | 0% | \$ - | 3.43% | \$ 1,065.52 | \$ 1,989 | \$ 420 |
| | | | | \$ 605,397.86 | \$ 18,162 | \$ 623,560 | | \$ 13,865 | | \$ 18,864 | \$ 46,313 | \$ 5,880 |
| | | | | | | | | | | | | \$ 784 |

A/ Payroll per TWSI Email 12-26-19 (13 Current employees + 1 Vacant.)

B/ Assumes 3% annual cost of living increase.

C/ June 2019 Worker's Comp Report.

D/ 6.2% Social Security + 1.45% Medicare

E/ <https://www.tn.gov/workforce/article/tui-tax-rates>

Tennessee Wastewater Systems, Inc.
Contractual Services Expense Workpaper
For the 12 Months Ending December 31, 2020

| Line No. | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Method | Attrition Amount |
|----------|------------------------------------|---------|---------|---------|-----------|---------|---------|---------|---------|---------|--------------------|------------------|
| 1 | Professional | 28,691 | 55,480 | 0 | 100,534 | 110,435 | 256,068 | 48,271 | 9,591 | 25,594 | 2-Year Average | 17,593 |
| 2 | Testing | 745 | 150 | 0 | 0 | 3,925 | 12,677 | 12,305 | 9,606 | 7,932 | GDP Deflator | 8,136 |
| 3 | Maintenance | 546,885 | 590,506 | 922,352 | 846,590 | 387,211 | 15,212 | 48,724 | 2,159 | 12,247 | 2-Year Average | 7,203 |
| 4 | Service | 0 | 0 | 90 | 5,460 | 6,143 | 22,352 | 376 | 8,779 | 1,505 | GDP Deflator | 1,544 |
| 5 | Lawn Maintenance | 6,910 | 8,705 | 6,715 | 2,605 | 19,575 | 20,947 | 21,890 | 23,469 | 28,063 | Double Test Period | 56,125 A/ |
| 6 | One-Call | 2,178 | 2,564 | 2,279 | 5,122 | 2,552 | 3,169 | 5,519 | 7,340 | 5,831 | GDP Deflator | 5,981 |
| 7 | Management Fees | 218,560 | 139,859 | 68,274 | 109,993 | 81,213 | 148,788 | 223,460 | 116,473 | 321,257 | Priceout Workpaper | 231,020 |
| 8 | IT Support | 0 | 0 | 0 | 0 | 0 | 0 | 41,502 | 0 | 74,238 | Priceout Workpaper | 59,068 |
| 9 | Total Contractual Services Expense | 801,969 | 797,244 | 999,710 | 1,070,304 | 611,054 | 479,213 | 402,047 | 177,418 | 476,667 | | 386,670 |

A/ Based on conversation with management regarding need for better maintenance of system grounds. Efforts during 2019 to clean up system grounds showed \$81,096 spent for contract lawn maintenance YTD Nov 2019.

Tennessee Wastewater Systems, Inc.
Administrative & General Expense Worksheets
For the 12 Months Ending December 31, 2020

| Line No. | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Method | Attrition Amount |
|----------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------------|------------------|
| 1 | 7,333 | 13,890 | 6,945 | 6,945 | 44,945 | 60,945 | 60,945 | 60,945 | 60,945 | Priceout Worksheet | 66,000 |
| 2 | 0 | 0 | 0 | 0 | 118 | 1,489 | 288 | 1,435 | 618 | 2-Year Average | 1,026 |
| 3 | 0 | 0 | 0 | 0 | 20,045 | 35,185 | 37,055 | 50,800 | 66,023 | GDP Deflator | 67,719 |
| 4 | 0 | 0 | 0 | 0 | 4,553 | 26,941 | 30,197 | 27,391 | 25,955 | GDP Deflator | 26,622 |
| 5 | 335 | 366 | 231 | 641 | 3,031 | 11,784 | 17,744 | 30,766 | 38,162 | GDP Deflator | 39,143 |
| 6 | 5,395 | 5,608 | 5,583 | 6,057 | 6,788 | 7,032 | 10,182 | 104,655 | 8,279 | Other Taxes | 0 |
| 7 | 1,533 | 1,219 | 1,219 | 1,219 | 12,620 | 56,997 | 111,638 | 87,601 | 124,530 | Priceout Worksheet | 112,085 |
| 8 | 6,735 | 52,165 | 60,573 | 47,243 | 45,037 | 43,710 | 43,710 | 5,696 | 10,500 | Eliminate Pass Through | 0 |
| 9 | 4,335 | 2,294 | 761 | 0 | 192 | 10,116 | 13,237 | 12,431 | 10,451 | A/ | 7,447 |
| 10 | 14,470 | 34,150 | 35,250 | 42,484 | 38,762 | 11,881 | 77,052 | 68,722 | 43,246 | GDP Deflator | 44,358 |
| 11 | 15,345 | 7,634 | 2,998 | 8,413 | 2,908 | 38,787 | 0 | 112,013 | 7,875 | Priceout Worksheet | 8,536 |
| 12 | 55,481 | 117,326 | 113,560 | 113,002 | 178,999 | 304,667 | 402,048 | 562,455 | 396,584 | | 372,916 |

Total Administrative & General Expense

A/ Traced to interest for bank loans from Wilson Bank & Trust for equipment with loan period through the Attrition Period.

Tennessee Wastewater Systems, Inc.
Miscellaneous Expense Worksheets
For the 12 Months Ending December 31, 2020

| Line No. | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Average Period Eliminate IT Expense | Attrition Amount |
|----------|-----------------------------|--------|--------|--------|--------|--------|---------|---------|---------|--------|-------------------------------------|------------------|
| 1 | Website & Internet Hosting | 0 | 0 | 0 | 0 | 0 | 15,284 | 10,950 | -33,570 | 726 | | 0 |
| 2 | Equipment Maintenance | 0 | 0 | 0 | 0 | 163 | 835 | 6,227 | 32,286 | 7,177 | 2-Year Average | 19,731 |
| 3 | Equipment Rental | 0 | 0 | 0 | 0 | 5,609 | 1,540 | 5,754 | 7,620 | 19,406 | 2-Year Average | 13,513 |
| 4 | Small Equipment Purchases | 0 | 0 | 0 | 0 | 3,047 | 40,513 | 47,141 | 9,579 | 330 | 2-Year Average | 4,954 |
| 5 | Telephone | 497 | 0 | 0 | 1,013 | 3,742 | 12,238 | 13,241 | 8,672 | 10,466 | GDP Deflator | 10,735 |
| 6 | Office Supplies | 0 | 0 | 0 | 0 | 0 | 0 | 435 | 1,043 | 1,034 | GDP Deflator | 1,060 |
| 7 | Postage | 4,595 | 3,728 | 0 | 0 | 3,861 | 8,049 | 8,666 | 9,337 | 9,939 | Inflation Factor | 10,958 |
| 8 | Software Licenses | 0 | 0 | 0 | 0 | 9,400 | 13,285 | 12,630 | 22,533 | 23,133 | GDP Deflator | 23,727 |
| 9 | Membership Dues | 105 | 440 | 440 | 3,590 | 680 | 4,784 | 690 | 640 | 40 | Eliminate Disallowed | 0 |
| 10 | Franchise Fees | 2,279 | 2,390 | 2,405 | 2,449 | 2,464 | 2,506 | 2,580 | 2,734 | 3,383 | Eliminate Pass Through | 0 |
| 11 | Billing Costs | 2,884 | 960 | 2,099 | 480 | 960 | 960 | 720 | 720 | 0 | Eliminate | 0 |
| 12 | Other | 1,320 | 13,000 | 10,400 | 9,400 | 720 | 1,033 | 860 | 225 | 1,800 | 2-Year Average | 1,012 |
| 13 | Total Miscellaneous Expense | 11,680 | 20,518 | 15,344 | 16,932 | 30,646 | 101,027 | 109,894 | 61,817 | 77,433 | | 85,691 |

Tennessee Wastewater Systems, Inc.
Taxes Other Than Income Tax Expense Workpapers
For the 12 Months Ending December 31, 2020

| Line No. | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Average Period | Attrition Amount |
|----------|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|------------------|
| 1 | Property Taxes | 56,733 | 75,451 | 64,537 | 65,555 | 58,787 | 51,983 | 77,933 | 61,213 | 59,155 | 1 | 59,155 C/ |
| 2 | Franchise | 80,704 | 64,839 | 48,824 | 95,096 | 37,427 | 53,650 | 40,240 | 86,175 | 58,000 | Priceout | 60,247 B/ |
| 3 | Payroll Taxes | 0 | 0 | 0 | 0 | 19,089 | 42,459 | 37,955 | 41,417 | 49,703 | Priceout | 52,977 A/ |
| 4 | Total Other Taxes Expense | 137,437 | 140,290 | 113,361 | 160,651 | 115,303 | 148,092 | 156,128 | 188,804 | 166,858 | | 172,379 |

A/ Salary & Wage Priceout Workpaper.

B/ 2018 UPIIS (24098823) / 100 * 25

C/ Since amount decreased from 2017 to 2018, amount was held constant at 2018 total.

NOTE: There was an \$87.00 adjusted deduction to the total of \$59,155, which results in an Attrition Year forecast of \$59,068.

Tennessee Wastewater Systems, Inc.
Non-Utility Expense Worksheets
For the 12 Months Ending December 31, 2020

| Line No. | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Average Period | Attrition Amount |
|----------|---|--------|--------|--------|--------|--------|--------|--------|---------|--------|----------------|------------------|
| 1 | Lodging Cumulative Amounts | 0 | 2,212 | 2,212 | 0 | 2,212 | 0 | 364 | 285 | 1,428 | A/ | 0 |
| 2 | Meals & Entertainment Cumulative Amounts | 0 | 16,963 | 16,963 | 0 | 16,963 | 844 | 2,402 | 2,773 | 4,707 | A/ | 0 |
| 3 | Dues & Subscriptions Cumulative Amounts | 1,000 | 123 | 0 | 390 | 3,840 | 7,050 | 939 | 2,132 | 2,580 | B/ | 1,510 |
| 4 | Banking & NSF Fees Cumulative Amounts | 18,054 | 17,054 | 16,931 | 16,931 | 16,541 | 12,701 | 5,697 | 5,378 | 7,708 | C/ | 3,681 |
| 5 | Miscellaneous Cumulative Amounts | 4,446 | 6,929 | 7,018 | 6,191 | 3,112 | 27,070 | 21,373 | 15,995 | 8,287 | D/ | 1,409 |
| | | 54,766 | 50,320 | 43,391 | 36,373 | 30,182 | | | | | | |
| 6 | Construction Cumulative Amounts | 11,200 | 0 | 0 | 244 | 350 | 623 | 3,182 | 304 | 7,247 | D/ | 1,409 |
| | | 23,150 | 11,950 | 11,950 | 11,950 | 11,706 | 11,356 | 10,733 | 7,551 | 7,247 | | |
| | | 1,198 | 0 | 0 | 0 | 0 | 0 | 16,709 | -16,711 | 1,200 | A/ | 0 |
| | | | 1,198 | 1,198 | 1,198 | 1,198 | 1,198 | 1,198 | -15,511 | 1,200 | | |
| 7 | Total Non-Utility Expense | 16,646 | 7,052 | 7,018 | 6,825 | 8,146 | 16,136 | 29,246 | -431 | 25,705 | | 6,600 |

A/ Disallowed expenses.
B/ Adjusted to remove association and lobbying expenses.
C/ Adjusted to reflect banking service charges and payroll direct deposit fees.
D/ Adjusted to reflect recurring trash removal expenses.

VERIFICATION

STATE OF TENNESSEE)

COUNTY OF Davidson)

I, Kevin McClenathan, being duly sworn, state that I am authorized to make this verification on behalf of TPUC Staff (As a Party); that I have read the foregoing Pre-filed Direct Testimony, Exhibits and Workpapers of Kevin McClenathan and know the content thereof; and that the same are true and correct to the best of my knowledge, information and belief.

Kevin McClenathan
Kevin McClenathan

Sworn to and subscribed before me the 31st day of January, 2020.

Gregory R. Loupes
Notary Public

My Commission Expires: 3/8/2020

