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Electronically Filed in TPUC Docket
Room on June 20, 2023 at 3:43 p.m.

June 20, 2023

Chairman Herbert H. Hilliard
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deadrick Street, 4th Floor
Nashville, TN 37243
Tpuc.docketroom@tn.gov

Via Email

Re: Tennessee Water Service, Inc. Petition to Adopt Annual Review Mechanism and
Tariff Pursuant to Tenn. Code Ann. § 65-5-103(d)(6), TPUC Docket No. **23-00046**

Dear Chairman Hilliard,

Enclosed is Tennessee Water Service, Inc.'s Petition to adopt annual review mechanism and tariff pursuant to Tenn. Code Ann. § 65-5-103(d)(6).

Attached please find the following documents for filing:

1. Petition;
2. Direct Testimony of Tiffany Van Horn (attached as Appendix A to Petition);
3. Direct Testimony and Exhibits of Dante M. DeStefano (attached as Appendix B to Petition); and
4. Proposed ARM Tariff pages (attached as Appendix C to Petition).

In addition to this electronic filing, we will deliver hard copies of the Petition, Testimonies and exhibits, and a filing fee in this matters.

A courtesy copy of this filing is being provided to the Consumer Advocate.

Sincerely,



Ryan A. Freeman
For the Firm

June 20, 2022

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CC:

Tiffany Van Horn, via email.

Enclosure

IN THE TENNESSEE PUBLIC UTILITY COMMISSION

IN RE:)
) **Docket No. 23-00046**
TENNESSEE WATER SERVICE, INC.)
PETITION TO ADOPT ANNUAL)
REVIEW MECHANISM AND TARIFF)
PURSUANT TO TENN. CODE ANN. § 65-)
5-103(d)(6))
)

**TENNESSEE WATER SERVICE, INC. PETITION TO ADOPT ANNUAL
REVIEW MECHANISM AND ARM TARIFF PURSUANT TO TENN. CODE
ANN. § 65-5-103(d)(6)**

June 20, 2023

NOW COMES Tennessee Water Service, Inc. (“TWS” or the “Company”), by and through counsel and pursuant to the provisions of Tenn. Code Ann. § 65-5-103(d)(6), respectfully request that the Tennessee Public Utility Commission (the “Commission”) approve TWS’ request for the adoption of an Annual Review Mechanism (“ARM”) and ARM Tariff.

In support of the Petition, TWS submits the following:

General Information

1. TWS is a public utility organized under the laws of Tennessee, operating in Tennessee, and engaged in the provision of water utility service to the public for compensation. The Company’s business address is #2 N. Wolfscratch Drive, Jasper, GA 30143. The contact person for the Company in this matter is Tiffany Van Horn, President of TWS, at Tiffany.Vanhorn@uiwater.com.

2. All correspondence and communications with respect to this Petition should be sent to the following:

Ryan A. Freeman, Esq.
Baker, Donelson, Bearman
Caldwell & Berkowitz, PC
Suite 1900 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450

Dante DeStefano
Director, Regulatory Affairs
Corix Infrastructure Inc.
500 W. Monroe Street, Suite 3600
Chicago, IL 60661-3779

3. TWS is an investor-owned public utility pursuant to Tenn. Code Ann. § 65-4-101 and provides water service pursuant to a Certificate of Public Convenience and Necessity granted in January 1984 in Docket. No. U-83-7240. The Company does business as a regulated water

utility in Tennessee and is subject to the regulatory oversight of this Commission. The Company presently serves approximately 408 water customers in Tennessee and operates one water system in the Chalet Village Subdivision located in Sevier County, Tennessee.

4. The currently-tariffed rates and charges of TWS were approved by the Commission on March 9, 2020 in Docket No. 19-00028.

5. By this Petition, TWS is now seeking the Commission's approval of its request to establish an ARM, specifically an annual review of rates authorized by Tenn. Code Ann. § 65-5-103(d)(6) based upon its 2019 general rate case and the ratemaking methodology approved therein.

2019 General Rate Case

6. Tenn. Code Ann. § 65-5-103(d) requires that a utility seeking to establish an annual review of its rates based upon the methodology adopted in its most recent rates case must have engaged in a general rate case within the prior five years. TWS' 2019 general rate case falls within the statutory five-year requirement in recency and clearly established a rate-making methodology upon which the requested ARM can be based.

7. TWS' 2019 general rate case was filed on February 28, 2019, in Docket No. 19-00028. The Tennessee Consumer Advocate Unit in the Financial Division of the Office of the Attorney General ("Consumer Advocate") intervened in the 2019 general rate case, and the parties engaged in extensive discovery. A contested hearing was held in which the parties presented and cross-examined witnesses before the Commission on September 9, 2019. Additional pre-filed testimony was submitted following the hearing and was presented to the Commission at a supplemental hearing on October 14, 2019. The Commission met on November 4, 2019 and announced its findings and conclusions, which were approved by the Hearing Panel. The

Commission's Order on TWS' 2019 general rate case was issued on January 30, 2020 and amended to address minor corrections on March 9, 2020. Tariff rate changes were effective January 1, 2020.

8. Due to the contested nature of the 2019 general rate case, the Commission announced findings and conclusions with significant specificity with regard to the rate-making methodology for TWS. By means of the March 9, 2020 Final Order, the Commission established the necessary and appropriate methodology that can now be leveraged as a basis for TWS' request to adopt an ARM.

9. Thus, the statutory prerequisites for a request to adopt an ARM have been met.

TWS's Annual Review Mechanism

10. Tenn. Code Ann. § 65-5-103(d)(6) allows utilities to opt for an annual review of their rates via implementation of a mechanism. An annual review mechanism is intended to allow for more frequent review of the utility's operations and thus greater transparency regarding the utility's business. To the extent the utility is over-earning or under-earning, an annual review process would capture such variances and implement smaller, incremental changes to the utility's rates and ensures the customer is protected by timely rate adjustments, which result from an annual process that is more streamlined and less burdensome than a general rate case.

11. Because of the wildfires in East Tennessee during November 2016, TWS petitioned the Commission in 2017 for emergency relief required as a result of the devastation to the Chalet Village subdivision served by TWS. As the Commission is already aware, following the wildfires, less than 10% of TWS customers' homes survived. Since the wildfires, the community has continued to rebuild, and over 350 customers have rebuilt and reconnected to TWS' water system. However, customers are continuing to rebuild new homes, and due to the ongoing rebuilding process, an ARM presents an effective way to manage TWS' approved tariff and ensure that the

Company does not over-earn under the structure established by the Commission in the 2019 general rate case as customers continue to rebuild.

12. To create an orderly implementation of an ARM established by Tenn. Code Ann. § 65-5-103(d)(6), TWS' ARM sets forth a timetable and list of specific documentation that TWS will file annually. The ARM will be a one-step, or single filing, annual process. The Company proposes to make its annual filing on or before April 30th of each year with adjusted rates going into effect on September 1st of the same year. The Company proposes to use a historical base year review ending December 31st of the prior year of its revenues, expenses, investments, and rate of return components per its actual books and records to determine if the Company earned the authorized return on equity adopted in the 2019 general rate case. There will be no forward-looking or forecasted data. Once the Company calculates whether there is an excess or deficiency in earnings for the Historic Period, the Company will calculate the Annual True-Up Rate Adjustment deferral to either avoid under-recovery for the Company or provide a credit to customers to account for any earnings in excess of the Company's authorized return. TWS anticipates its first ARM annual filing will be submitted on or around April 30, 2024, reconciling the Historic Period ending December 31, 2023.

13. The TWS annual ARM filings shall include 18 specific schedules as follows: Rate Base; Income Statement; Annual True Up Reconciliation and Attrition Period Rate Reset; Income Taxes; Capital Structure and Retention Factor; Rate of Return; Proposed Tariff; Current Cost Allocation Manual; Affidavit by Officer; Plant In-Service and Depreciation Expense; Accumulated Depreciation; Cash Working Capital; Deferred Charges, Regulatory Commission Expense, and Deferred Maintenance Expense; Regulatory Liability and EDIT; CIAC and CIAC

Amortization Expense; Attrition Period Revenues and Rate Design; Bill Comparisons at Present Rates and Proposed Rates; and Non-Revenue Water Rate.

14. In addition to the foregoing schedules, TWS is filing the corresponding supporting schedules and workpapers, which use the ARM methodologies detailed in the tariff and were developed consistent with the methodologies approved in the last rate case.

15. In further support of this Petition, TWS is filing simultaneously the following:

- a) Appendix A - Pre-filed Direct Testimony of Tiffany Van Horn, President of TWS, to describe the water service provided by TWS, provide an update on the water system and its customers' rebuilding efforts, discuss interactions with TWS's customers, and explain the reasons for the ARM proposal.
- b) Appendix B - Pre-Field Direct Testimony, Exhibits, and Workpapers of Dante DeStefano, the Director of Regulatory Affairs for Corix Infrastructure Inc., to explain the basis of the Company's ARM proposal, the development of the ARM methodologies, structure of the proposed ARM annual filing process, and detail and support to be provided in an annual ARM filing.
- c) Appendix C - Proposed ARM Tariff, which memorializes the ARM methodologies described and supported within Appendix B.

WHEREFORE, TWS respectfully requests:

- (1) That the Commission approve this Petition and issue an order allowing TWS to adopt an ARM pursuant to Tenn. Code Ann. § 65-5-103(d)(6);
- (2) That the Commission approve the Company's new tariff pages, as submitted herein, implementing the ARM, within one hundred and twenty (120) days of the date of the filing of this Petition; and

(3) That the Commission grant such other and further relief as circumstances may warrant.

Respectfully submitted this 20th day of June, 2023.



By: _____

Ryan Freeman

Baker, Donelson, Bearman, Caldwell &
Berkowitz, PC

1900 Republic Centre

633 Chestnut Street

Chattanooga, TN 37450

Telephone: 423-209-4181

Email: rfreeman@bakerdonelson.com

**ATTORNEY FOR TENNESSEE WATER
SERVICE, INC.**

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

IN RE:)	
)	
TENNESSEE WATER SERVICE, INC.)	
PETITION TO OPT INTO AN ANNUAL)	DOCKET NO. 23-_____
REVIEW OF RATES MECHANISM)	
PURSUANT TO TENN. CODE ANN. § 65-)	
5-103(d)(6))	
)	
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)	
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APPENDIX A

**DIRECT TESTIMONY
OF
TIFFANY VAN HORN**

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

June 20, 2023

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Tiffany Van Horn. I am the President of Tennessee Water Service, Inc.
3 (“TWS” or “Company”), a subsidiary of Corix Infrastructure (US) Inc. (“Corix US”). My
4 business address is #2 N. Wolfscratch Drive, Jasper, GA 30143.

5 **Q. PLEASE DESCRIBE YOUR DUTIES IN YOUR CURRENT POSITION.**

6 A. As President, I am responsible for all aspects of the Company’s business, culminating in
7 the ongoing provision of safe drinking water to all of our customers.

8 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **BACKGROUND.**

10 A. I received my undergraduate degree in Business Administration with a Major in
11 Accounting from Gonzaga University in Spokane. In 2007, I began working as the
12 Support Services Manager in Alaska for what is now a wholly owned, indirect subsidiary
13 of Corix US, and have held Management, Director, and Vice President roles prior to
14 serving in my current role as President. Before 2007, I worked within the oil refining
15 industry and public accounting industry.

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

17 A. The purpose of my testimony is to 1) describe the water service provided by TWS; 2)
18 provide a status update on the system and its rebuild; 3) explain the Company’s
19 interactions and relationship with its customers; and 4) discuss the Company’s rationale
20 for proposing an Annual Review Mechanism (“ARM”).

21 **Q. WOULD YOU BRIEFLY DESCRIBE THE COMPANY’S WATER**
22 **OPERATIONS HERE IN TENNESSEE?**

1 **A.** TWS is a public utility subject to the Commission's jurisdiction, providing water utility
2 service to approximately 408 customers located in the Chalet Village North system in
3 Sevier County. We deliver safe and reliable water service to our customers' homes
4 through the pumping and treatment of ground water via our (2) public water supply wells
5 as well as via an interconnect with the municipal system of the City of Gatlinburg. In
6 November 2016, Chalet Village suffered extensive damage in the wildfires that swept
7 through the Great Smoky Mountains (the "Wildfire"). Prior to the Wildfire, the Company
8 served approximately 564 customers and after the Wildfire, only 25 connections
9 remained active representing more than a 95% loss of customer base.

10 **Q. PLEASE PROVIDE THE CURRENT OPERATIONAL STATUS OF THE TWS**
11 **WATER SYSTEM.**

12 **A.** Transparency, health, and safety are key priorities in our company's effort to provide a
13 high-quality, reliable water supply. TWS continually strives to supply water that meets
14 and/or exceeds all federal and state water quality regulations as evidenced by the 2021
15 Annual Water Quality Report, which demonstrates TWS performed all required testing
16 for contaminants and no violations of drinking water regulations were received.
17 Although it has not been published yet, I anticipate the same response will accompany
18 the 2022 report.

19 The system currently serves approximately 70% of the premises that were present prior to
20 the Wildfire, and nearly double the active premises at the time of filing the Company's
21 last rate case ("2019 case"). Construction activities and re-connections have continued
22 since the 2019 case with a mix of full-time and seasonal occupancy. Despite the rapid

1 increase in active connections over the past few years, the Company expects re-
2 connections of premises in the system to continue for the foreseeable future, though a
3 timing and count of a final “plateau” of customer connections is unknown at this time.

4 **Q. PLEASE SUMMARIZE THE COMPANY’S CUSTOMER RELATIONS**
5 **ACTIVITIES SINCE THE 2019 CASE.**

6 **A.** TWS maintains regular communication with our customers through email, voice reach
7 phone messaging, social media, and the Tennessee Water Service website. In addition,
8 several on-site meetings with the TWS management team and the Homeowners
9 Association Board (“HOA Board”) members and community manager have been held
10 over the past couple of years. The main goal of our meetings was to focus on enhancing
11 the relationship with the HOA Board and the community after the wildfire, creating a
12 dialogue that allows for open and upfront communication. Topics shared with the HOA
13 Board included updates on the status of the repairs and restoration activities, any
14 customer issues, company news and the opportunity for the HOA Board to ask questions
15 of the team.

16 Our dedicated field team is onsite and available to provide the best possible customer
17 service to the Chalet Village community. In a recent meeting with the HOA Board, they
18 gave accolades to our onsite team for providing excellent customer service. Customers
19 have noted that the frequent interaction and availability to answer any questions has been
20 a tremendous help and is well received in the community.

21 **Q. CAN YOU PLEASE EXPLAIN WHY TWS BELIEVES AN ARM IS PRUDENT**
22 **TO BE AUTHORIZED AT THIS TIME?**

1 A. As the Commission is aware, the Company’s service area sustained a massive wildfire in
2 November 2016 which devastated its customers, destroyed nearly all premises in the
3 service area, and caused significant damage to the Company’s infrastructure. Since that
4 event, the Company’s customers have steadily rebuilt their properties and reconnected to
5 the water system, and this activity is expected to continue at a similar pace for the next
6 several years. The Company, meanwhile, has invested significantly in the system to
7 restore and maintain proper service. TWS filed in 2017 an Emergency Petition seeking
8 temporary relief, and then filed a base rate case in February 2019, which became
9 effective in January 2020 (“2019 case”).

10 The Code allows a utility to request an ARM within 5 years of the last rate case, and the
11 Company is now over 4 years past the filing of its last rate case, and over 3 years from its
12 effective date. In addition, the Company’s return on equity (“ROE”), which remained
13 low after the 2019 rate case became effective, but has since grew close to the authorized
14 ROE of 10.50%. This is generally due to the relatively rapid rebuild and reconnection of
15 customer premises, as well as the Company’s limited capital investment needs and its
16 expense management in the intervening period. As these factors are expected to still be
17 the case for the next several years, the Company therefore believes it is currently an
18 optimal time to consider implementing an ARM process.

19 The ARM will allow for continued review of cost-of-service components on a cyclical
20 basis and will reset rates based on the changes the Company is experiencing with its
21 customer base and system operations. The proposed ARM process allows for an efficient
22 and effective means to review and reset the Company’s rates. An annual ARM filing will

1 provide increased transparency and detail to the utility's operating results and activity. It
2 also allows the Company to address customer needs, new initiatives, and readily recover
3 costs of incremental investments to maintain and improve the system. The ARM will
4 account for material changes in operating condition, such as continued reconnections, on
5 a going basis without requiring more frequent and costly base rate cases, while still
6 allowing an opportunity for input from customers and other stakeholders.

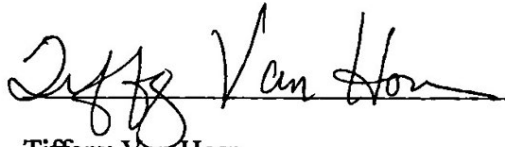
7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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

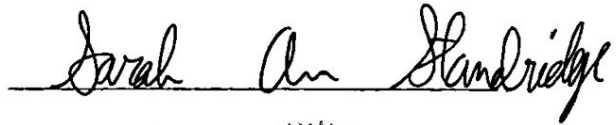
STATE OF Georgia)
COUNTY OF Paulding)

BEFORE ME, the undersigned, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Tiffany Van Horn, being by me first duly sworn deposed and said that:

On behalf of Tennessee Water Service, Inc., I am authorized to testify in the above referenced docket and that my testimony and information therein is true and correct to the best of my knowledge, information, and belief.

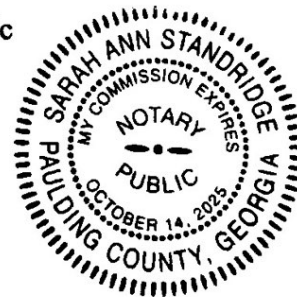

Tiffany Van Horn

Sworn and subscribed before me this 20th day of June, 2023.



Notary Public

My Commission Expires: 10-14-2025



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

IN RE:)	
)	
TENNESSEE WATER SERVICE, INC.)	
PETITION TO ADOPT ANNUAL)	DOCKET NO. 23-_____
REVIEW MECHANISM AND TARIFF)	
PURSUANT TO TENN. CODE ANN. § 65-)	
5-103(d)(6))	
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APPENDIX B

**DIRECT TESTIMONY
OF
DANTE M. DeSTEFANO**

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

June 20, 2023

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

2 **A.** My name is Dante M. DeStefano, and my business address is 500 W. Monroe Street,
3 Suite 3600, Chicago, Illinois 60661-3779.

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

5 **A.** I am Director of Regulatory Affairs for Corix Infrastructure Inc. (“CII”), the ultimate parent
6 company for Tennessee Water Service, Inc. (“TWS” or “Company”).

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

8 **A.** I have been employed by a subsidiary of CII since October 2018, starting in the role of
9 Financial Planning and Analysis Manager, then Director of FP&A. In these roles, I was
10 responsible for state and regional financial analysis activities, budgeting, forecasting, and
11 regulatory matters. I entered my current role in December 2020. I graduated from
12 Rutgers University with a double major in Accounting and Management and am a
13 Certified Public Accountant in the state of New Jersey. Prior to joining CII, I was
14 employed by American Water Works for 10 years - first as a Senior Accountant in the
15 Accounting Department for two years, then in the Rates and Regulatory Department for
16 eight years. During my last eight years with American Water, my duties consisted of
17 preparing and assisting in regulatory filings and related activities for the Eastern
18 Division. My responsibilities included preparing work papers and exhibits, providing
19 testimony in support of rate applications and other regulatory filings, and addressing rate
20 and tariff related matters. I also assisted with preparation of multi-year budgets and other
21 budget modeling responsibilities.

22 **Q. WHAT ARE YOUR DUTIES WITH CII?**

1 **A.** As Director of Regulatory Affairs, I am responsible for supporting CII’s regulatory
2 activities by providing leadership, guidance, and oversight of the regulatory performance
3 of the operating companies and managing standards, strategies, and procedures across
4 CII’s subsidiaries.

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

6 **A.** The purpose of my testimony is to explain 1) the basis for the Company’s Annual Review
7 Mechanism (“ARM”) proposal; 2) the development of the ARM methodologies; 3) the
8 structure of the proposed ARM annual filing process; and 4) the detail and support to be
9 provided in an annual ARM filing.

10 **Q. PLEASE DETAIL YOUR TESTIMONY’S SUPPORTING EXHIBITS AND**
11 **SCHEDULES IN THIS FILING.**

12 **A.** This testimony includes and expressly adopts the following Exhibits and Schedules:

13 **Exhibit 1 – ARM Methodologies**

14 **Exhibit 2 – Illustrative Model, comprised of:**

15 **Exhibit 2, Schedule A – Rate Base**

16 **Exhibit 2, Schedule B – Income Statement**

17 **Exhibit 2, Schedule C – Annual True Up Reconciliation and Attrition Period**
18 Rate Reset

19 **Exhibit 2, Schedule D – Income Taxes**

20 **Exhibit 2, Schedule E – Capital Structure and Retention Factor**

21 **Exhibit 2, Schedule F – Rate of Return**

22 **Exhibit 2, Schedule A-1 – Plant In-Service and Depreciation Expense**

1 **Exhibit 2, Schedule A-2 – Accumulated Depreciation**

2 **Exhibit 2, Schedule A-3 – Cash Working Capital**

3 **Exhibit 2, Schedule A-4 – Deferred Charges, Regulatory Commission Expense**
4 **and Deferred Maintenance Expense**

5 **Exhibit 2, Schedule A-5 – Regulatory Liability and EDIT**

6 **Exhibit 2, Schedule A-6 – CIAC and CIAC Amortization Expense**

7 **Exhibit 2, Schedule B-1 – Attrition Period Revenues and Rate Design**

8 **Exhibit 2, Schedule B-2 – Bill Comparisons at Present Rates and Proposed Rates**

9 **Exhibit 2, Schedule B-3 – Non-Revenue Water Rate**

10 In addition, I adopt the Petition’s Appendix C - Proposed ARM Tariff.

11 **Q. WHAT IS YOUR UNDERSTANDING OF TENN. CODE ANN. 65-5-103 (“THE**
12 **CODE”)?**

13 **A.** My understanding is the Tennessee General Assembly has authorized a utility, with the
14 approval of the Tennessee Public Utility Commission (“TPUC” or “Commission”), to opt
15 into methods of alternative regulation that can provide the utility with the flexibility to
16 meet the needs of its customers and to provide a more efficient process for the
17 Commission to ensure that safe and reliable utility service is provided at just and
18 reasonable rates. One of the authorized alternative regulatory methods is an annual
19 review of rates, which TWS seeks to adopt with the proposed ARM process in this
20 docket.

21 **Q. HAVE YOU REVIEWED EXISTING ARMS APPROVED BY THE**
22 **COMMISSION?**

1 A. Yes. The Company reviewed the Atmos Gas and Chattanooga Gas ARMs, as approved
2 and modified in recent years, based on their petition to implement an ARM, settlement
3 for approval, and annual filings. This review has guided our development of the proposal
4 in this docket and confirmed our belief that an ARM would be beneficial for the
5 Company and its customers.

6 **Q. IS THE TWS PROPOSED ARM SIMILAR TO THE EXISTING ARMS?**

7 A. Generally, the proposal is similar to the Chattanooga Gas ARM. For example, the
8 proposed ARM is structured to allow annual reconciliation of a Historic Period, with an
9 annual April filing and September effective date, uses year-end rate base, does not rely on
10 budgeted data, and utilizes pro-forma methods consistent with those used to determine
11 authorized rates in the last base rate case. Of course, TWS is a much smaller and less
12 complex utility than either Atmos Gas or Chattanooga Gas, without other alternative
13 mechanisms, trackers, and riders in place. Therefore, we have attempted to simplify and
14 streamline the filing process as much as can be reasonably supported to ensure an
15 efficient and effective ARM.

16 **Q. CAN YOU PLEASE EXPLAIN WHY TWS BELIEVES AN ARM IS PRUDENT**
17 **TO BE AUTHORIZED AT THIS TIME?**

18 A. As the Commission is aware, the Company's service area sustained a massive wildfire in
19 November 2016 which devastated its customers, destroyed nearly all premises in the
20 service area, and caused significant damage to the Company's infrastructure. Since that
21 event, the Company's customers have steadily rebuilt their properties and reconnected to
22 the water system. This activity is expected to continue at a similar pace for the next

1 several years. The Company, meanwhile, has invested significantly in the system to
2 restore and maintain proper service. TWS filed in 2017 an Emergency Petition seeking
3 temporary relief, and then filed a base rate case in February 2019, which became
4 effective in January 2020 (“2019 case”).

5 The Code allows a utility to request an ARM within 5 years of the last rate case, and the
6 Company is now over 4 years past the filing of its last rate case, and over 3 years from its
7 effective date. In addition, the Company’s return on equity (“ROE”), which remained
8 low after the 2019 rate case became effective, has since grown close to the authorized
9 ROE of 10.50%. This has generally been due to the relatively rapid rebuild and
10 reconnection of customer premises, as well as the Company’s limited capital investment
11 needs and its expense management efforts in the intervening period. As these factors are
12 expected to still be the case for the next several years, the Company therefore believes it
13 is currently an optimal time to consider implementing an ARM process. The ARM will
14 allow for regular review of cost-of-service components on a cyclical basis and will reset
15 rates based on the changes the Company is experiencing with its customer base and
16 system operations.

17 **Q. WHY DOES TWS PREFER IMPLEMENTING AN ARM PROCESS INSTEAD**
18 **OF SIMPLY FILING A NEW BASE RATE CASE?**

19 **A.** The factors laid out above, should they continue as expected, could lead to the Company
20 overearning to a significant degree, primarily as its rates were set with a much lower
21 customer base. However, it is apparent to the Company that the expected continued
22 material increase in customers lends value to utilizing an ARM, which can readily

1 account for ongoing changes in customer base, and effectively “rebalance” the tariff rates
2 across the changing group of ratepayers. In contrast, filing a base rate case will only
3 account for the Company’s operating status at a point in time, cannot accommodate an
4 ongoing customer connection scenario, and would likely be more costly overall for the
5 Company and its customers.

6 If the Company were to file a base rate case in the near term, it likely would need another
7 rate case relatively soon afterward. In addition, since the Company’s last rate case was
8 litigated on all issues, there exists adequate detail in the Commission’s final order to
9 provide guidance and support for the methods of pro-forma adjustments that would be
10 utilized in an ARM, consistent with the requirements of the Code. These methodologies
11 are still relevant and practical for use as the basis of pro-forma adjustments in an ARM
12 process for the Company. In summary, the ARM process is more conducive to the
13 setting of reasonable rates for the foreseeable future that adequately account for the
14 Company’s operating condition, cost of service, and customer base, while allowing a
15 sufficient scope of review to address issues and topics that would otherwise be subject to
16 a base rate case process.

17 **Q. HAS TWS DEVELOPED METHODOLOGIES TO EFFECTUATE ITS**
18 **PROPOSED ARM?**

19 **A.** Yes, see Exhibit 1 to this testimony. As stated above, the Company leveraged the
20 precedent of Chattanooga Gas's ARM to inform and develop its ARM methodologies.
21 The focus of the method is Historic Period reconciliation, based on actual data and
22 average rate base for the period, and then leveraging historic data as the basis for the

1 Attrition Period figures. Relying on historic data is easily verifiable and simplifies the
2 preparation and presentation of the revenue requirement calculations. Also as noted
3 above and described therein, the Company proposes pro-forma methods that are
4 consistent with the method of calculating the Attrition Period amounts in its last rate case
5 for each line item of revenue requirement. These pro-forma methods have been and
6 would continue to be updated as needed to reflect the most recent historical activity
7 where applicable. The proposed ARM methodologies are memorialized in the proposed
8 tariff changes presented in Appendix B to this Petition.

9 **Q. WHAT ARE THE COMPONENTS OF THE PROPOSED ARM FILING**
10 **PROCESS?**

11 **A.** The proposed ARM filing would present the following components: 1) actual Historic
12 Period amounts per its books and records, 2) any adjustments to the Historic Period
13 actuals per the methodologies described in Exhibit 1, 3) the Excess Earnings or
14 Deficiency Calculation and resulting Annual True-Up Rate Adjustment, 4) the Attrition
15 Period Rate Reset revenue requirement, inclusive of any deferral from the Annual True-
16 Up Rate Adjustment, calculated per Exhibit 1, 5) proposed tariff rates that support the
17 Attrition Period Rate Reset revenue requirement.

18 **Q. IS THE COMPANY PRESENTING A MODEL TO DEMONSTRATE THE**
19 **PROPOSED ARM PROCESS?**

20 **A.** Yes. As noted above, the Company has attached to this Application additional
21 workpapers to exhibit a working model for the annual ARM filing. This model, for
22 presentation purposes only, uses 2022 data as the Historic Period, with an Attrition

1 Period of the 12 months ending Aug 31, 2024. This presentation aligns with the first
2 anticipated filing structure, which would use 2023 as the Historic Period and the 12
3 months ending August 31, 2025 as the Attrition Period. The Company has developed this
4 model by utilizing the ARM methodologies detailed in Exhibit 1 and included a rate
5 design proposal to demonstrate how requested changes would be presented. These
6 schedules are attached to this testimony as Exhibit 2, Schedules A to F and A-1 to B-3.

7 **Q. PLEASE EXPLAIN HOW THE HISTORIC PERIOD RATE OF RETURN WILL**
8 **BE RECONCILED.**

9 **A.** The Company presents the Historic Period rate of return via the Excess or Deficiency
10 Calculation. The Company will calculate, based on the applicable methodologies, any
11 excess earnings or deficiency for the Historic Period. The excess earnings or deficiency
12 will be based on the comparison of the earned return on equity and the authorized
13 10.50%. This amount will be used to calculate the Annual True-Up Rate Adjustment,
14 which incorporates a carrying charge based on the authorized rate of return of 7.77%,
15 using a simple average. This result is then added to the Attrition Period Rate Reset
16 calculation to determine the Attrition Period revenue requirement. Please see Exhibit 2,
17 Schedule C for an example of the calculations.

18 **Q. PLEASE EXPLAIN TWS' RATIONALE FOR THE ATTRITION PERIOD**
19 **METHODOLOGIES TO DEVELOP THE ATTRITION PERIOD RATE RESET.**

20 **A.** The Company reviewed the methods used by the Commission to determine authorized
21 cost of service levels for the revenue requirement components in the 2019 case. In that
22 case, the Company's then-current cost levels were highly impacted by the wildfire and

1 therefore were not reasonably representative of future cost levels. Similarly, the recent
2 historic activity was sufficiently compromised and did not provide a reasonable basis for
3 projecting Attrition Period levels. Therefore, the bulk of the Company's proposed - and
4 eventually authorized – cost levels used pre-wildfire activity as the basis for pro-forma
5 projections. The Company nonetheless can leverage this general framework (i.e., using
6 three-year historical averages, plus an inflation factor to reach the midpoint of the
7 Attrition Period) in the ARM process. These values are readily available and straight-
8 forward to calculate and verify. The Company can utilize most recent year-end balances
9 for rate base categories, adjusted as needed for the remaining amortizations of certain
10 items such as deferrals, and projected customer counts and normalized consumption
11 levels to develop the rate base and present rate revenue components. Finally, the
12 Company recommends utilizing the authorized revenue conversion factor values and
13 current tax rates to complete the Attrition Period Rate Reset revenue requirement
14 calculation. As a result of these methodologies, the Company's ARM process is a well-
15 supported, easily reconcilable, and ultimately fair and reasonable approach to implement
16 for annual rate resets.

17 **Q. HOW IS REGULATORY LAG BEING ADDRESSED?**

18 **A.** The problem of regulatory lag occurs when the utility's authorized revenues are not set
19 consistent with the level of costs and investment the utility incurs for a given period. In
20 the proposed ARM, the Historic Period would be reconciled to determine any over- or
21 under-earnings that occurred, and the resulting deficiency or excess will be deferred and
22 included in the Attrition Period Rate Reset. This allows TWS to maintain rates that are

consistently aligned with cost-of-service expectations, while continuing to provide the Company the opportunity to earn its authorized return.

Q. DOES THE PROPOSED ARM ALLOW FOR INCORPORATION OF NEW INFORMATION OR ACTIVITY THAT WAS NOT PREVIOUSLY CONSIDERED IN SETTING BASE RATES?

A. Yes. Circumstances may require the Company to request deferral treatment of certain costs (i.e., large, one-time expenses or costs incurred outside the Company's control), adopt changes in accounting standards, or reflect changes in tax law. In addition, the Company has deferrals currently authorized that have not yet been included for recovery via amortization, and TWS would require the ability to incorporate such costs in rate adjustments going forward.

Q. DOES THE PROPOSED ARM ADDRESS NON-REVENUE WATER (“NRW”) AND ITS POTENTIAL IMPACT ON TWS’ REVENUE REQUIREMENT?

A. Yes. In the 2019 case, the Company’s NRW rate was higher than historic levels, and TWS was actively working to address water loss issues emanating from the wildfire. Since the 2019 case, the Company’s NRW has stabilized due to its efforts to identify and remediate water loss issues. Despite these recent improvements, the Company recognizes the need to continue to focus on mitigating water loss and has, therefore, added an adjustment to certain expense accounts that tend to correlate with water supply levels in the distribution system – Purchased Water, Purchased Power, and Chemicals Expenses. The Company’s calculations to account for excess NRW levels adjusts each of these expenses differently due to their proportional impact on the total water supply.

1 The Company has set 20% as a reasonable threshold for which to accommodate NRW
2 levels in the system. As the system is in mountainous territory, leak detection is
3 particularly difficult. Additionally, the Company's North Carolina affiliate has regularly
4 settled its base rate cases using a 20% NRW rate for purchased water systems in the same
5 mountainous region. The calculation is presented on the illustrative Exhibit 2, Schedule
6 B-3.

7 **Q. DOES THE PROPOSED ARM ALLOW FOR UPDATES TO THE APPROVED**
8 **TARIFF, SUCH AS THE TERMS AND CONDITIONS AND RATE DESIGN?**

9 **A.** Yes. The Company's customer base is in flux, and the 2019 case included rate design
10 changes that had considerable impact for certain customers. The Company requires the
11 flexibility to react timely to customer feedback and fine tune its rate structure as needed.
12 Additionally, certain terms and conditions of the tariff require the ability to adjust in
13 accordance with the provision of safe, reliable, and proper water service for customers
14 and meet their needs going forward. As noted above, the Company presents an example
15 of a rate design change proposal in illustrative Exhibit 2, Schedules B-1 and B-2.

16 **Q. WHAT SCHEDULES WILL BE INCLUDED IN THE ANNUAL ARM FILING?**

17 **A.** Please see the list of schedules referenced in Exhibit 1. The Company believes that these
18 schedules are sufficient to support the calculations for the Excess or Deficiency
19 Calculation, Annual True-Up Rate Adjustment, and Attrition Period Rate Reset. The
20 Company would supply to the parties to the filing the backup calculations and
21 workpapers that were used to prepare the filed schedules. The Company is likewise

1 providing the backup workpapers supporting the illustrative schedules attached to this
2 testimony.

3 **Q. WILL DIRECT TESTIMONY BE SUBMITTED WITH THE ANNUAL ARM**
4 **FILINGS?**

5 **A.** Yes, the Company's proposal requires that each annual ARM filing include direct
6 testimony. Testimony will be helpful in explaining the details of the filing, calculations
7 performed and results derived, requests for new items such as deferrals, and may identify
8 unique adjustments such as removal of one-time costs or major capital investments. The
9 annual filing's application narrative would be expected to provide the general overview
10 of the filing and results.

11 **Q. PLEASE SUMMARIZE TWS' REQUEST TO IMPLEMENT AN ARM PROCESS.**

12 **A.** The Company is requesting to implement an ARM in order to facilitate periodic updates
13 to its tariff rates that account for changes in the Company's operations, investments, and
14 customer base. The Company believes implementing an ARM is a prudent course of
15 action that best accounts for the expected changes in these factors for the foreseeable
16 future.

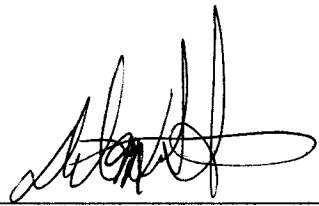
17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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

STATE OF New Jersey
COUNTY OF Hudson

BEFORE ME, the undersigned, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Dante M. DeStefano, being by me first duly sworn deposed and said that:

On behalf of Tennessee Water Service, Inc., I am authorized to testify in the above referenced docket and that my testimony and information therein is true and correct to the best of my knowledge, information, and belief.

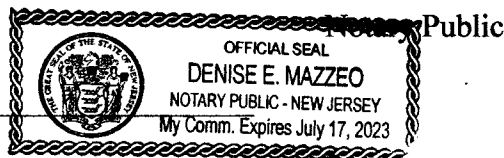


Dante M. DeStefano

Sworn and subscribed before me this 20 day of June, 2023.



My Commission Expires:



I. Annual Review Mechanism (“ARM”) Process

The Company’s proposed ARM shall incorporate an historical year review of its revenues, expenses, investments (rate base), and rate of return components to determine if the Company earned the authorized return on equity adopted in the most recent rate case. If the Company earned more than the authorized return on equity, the earnings excess (grossed up to determine excess revenues) shall be deferred in a regulatory liability and rates shall be reduced for this amount prospectively. If the Company earned less than its authorized return on equity, the Company shall defer expenses to a regulatory asset and rates shall be increased for this amount prospectively. Under both scenarios, the Company is proposing that any carrying charges be computed and accrued for on the simple average of the deferred balance. The simple average shall be determined based on the final year end deferred balance, assuming the balance accrued evenly throughout the year. The average balance shall then be multiplied by the authorized rate of return per the Company’s 2019 Rate Case Final Order (“Rate Order”)¹.

In addition to the review of the annual earnings deficiency or excess, rates shall be adjusted prospectively based on an adjusted historic base period (“Attrition Period”) so that the Company may earn its authorized return in the future, as well as include the recovery or refund of the deferred balance reflecting any earnings deficiency or excess.

The annual earnings deficiency or excess review and Rate Reset shall occur in one filing, made on or before April 30th of each year. The historic base period for the ARM filing shall align with the Company’s most recent fiscal year end, December 31st. In summary, there shall be one annual filing that shall include the determination of the earning deficiency or excess, based on a reconciliation of the historic base period, and the Rate Reset, based on an adjusted cost of service for the historic base period. Per TCA 65-5-103(d)(1)(B), the Commission shall make a final determination on the filing no later than 120 days from the initial filing. Therefore, the final determination shall be issued by August 28th, and adjusted rates shall go into effect on September 1st.

Finally, the methodologies detailed below have been ordered and are numbered consistent with the applicable corresponding sections and page numbers in the Rate Case Order. Based on the Commission’s rationale and discussions of the methodologies adopted in the Rate Order, the Company has determined that its proposed adjustment methodologies would be a reasonable basis for its ARM.

II. Methodologies

The below methodologies shall be utilized for determining the appropriate revenue requirement components for both the Attrition Period Rate Reset and the Historic Period Excess or Deficiency Calculation. For the Attrition Period, the Company may adjust certain expenses to reflect annualization of new or changed circumstances (e.g., a new rent expense due to an office move or new office being added).

¹ Order, *In 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*, Docket No. 19-00028, dated January 30, 2020.

A. Attrition Period (Page 9)

Defined as the year in which adjusted rates shall be in effect – September 1st to August 31st.

B. Historic Period (Page 9)

Defined as the most recently completed fiscal year ended December 31st as of the time of ARM filing.

C. Water Revenues (Page 10)

For the Attrition Period Rate Reset, the Company shall set its billing determinants based on projecting the average monthly customer counts in the Attrition Period and using the average per customer monthly consumption in the prior three calendar years. These billing determinants shall be applied to the applicable present tariff rates and usage blocks to determine Attrition Period present revenues.

For the Historic Period Excess or Deficiency Calculation, recorded revenues shall be used.

D. Other Revenues (Page 10)

For the Attrition Period Rate Reset, a rate of 1.4773% shall be used for late fees (forfeited discounts) per the Rate Order. For the remainder of Other Revenues, the Company shall use the actual Other Revenues per customer for the prior three calendar years, then multiply this value times the forecasted Attrition Period customer count per the Water Revenues methodology above.

For the Historic Period Excess or Deficiency Calculation, actual Other Revenues shall be used.

E. Expenses: Salaries and Wages (Page 17)

For the Attrition Period Rate Reset and the Historic Period Excess or Deficiency Calculation, the Company shall use the actual Salaries and Wages and capitalized labor as booked in the Historic Period.

F. Expenses: Purchased Power, Maintenance Testing, Transportation, Office Supplies, Benefits, Insurance, Maintenance and Repair, Chemicals, Office Utilities, Outside Services, Rent, and Miscellaneous, Purchased Water, Bad Debt (Page 11, 13, 14, 15, 16, 17)

For the Attrition Period Rate Reset in these expense line items, the Company shall use the actual expenses per customer for the prior three calendar years, then multiply this amount times the CPI Index – Water & Sewerage Maintenance² value for the end of the Historic Period, compounded by 20 months (midpoint of the Historic Period through midpoint of the Attrition Period). Then, this value is multiplied by the forecasted Attrition Period customer count per the Water Revenues methodology above.

For the Historic Period Excess or Deficiency Calculation, actual expenses for these line items shall be used.

² <https://www.bls.gov/news.release/cpi.t02.htm>, Unadjusted percentage change, last 12 months window.

G. Expenses: Non-Revenue Water

The Company shall supply a Non-Revenue Water ("NRW") rate for the Attrition Period Rate Reset in Schedule B-3. The NRW rate is computed by subtracting Total Metered Consumption from Total Water Supplied, and dividing the resulting difference by Total Water Supplied. These inputs shall be derived from the aggregation of the Company's prior three calendar year Annual Reports to the Commission.

If the NRW rate is above 20%, the Company shall proportionately adjust the following expenses: Purchased Water Expense, Chemicals Expense, and Purchased Power Expense.

- The proportional adjustment for Purchased Power Expense shall be computed by dividing one plus the 20% threshold by one plus the aggregate NRW Rate for the prior three calendar years, with the resulting ratio then multiplied by the Attrition Period Rate Reset amount calculated per the methodology in Paragraph F above.
- A Purchased Water Ratio shall be calculated by dividing the total purchased water in aggregate for the prior three calendar years by the Total Water Supplied. The proportional adjustment for Purchased Water Expense shall be computed by dividing one plus the product of the 20% threshold and the Purchased Water Ratio by one plus the product of the aggregate NRW Rate for the prior three calendar years and the Purchased Water Ratio, with the resulting ratio then multiplied by the Attrition Period Rate Reset amount calculated per the methodology in Paragraph F above.
- A Well Water Ratio shall be calculated by dividing the total well water in aggregate for the prior three calendar years by the Total Water Supplied. The proportional adjustment for Chemicals Expense shall be computed by dividing one plus the product of the 20% threshold and the Well Water Ratio by one plus the product of the aggregate NRW Rate for the prior three calendar years and the Well Water Ratio, with the resulting ratio then multiplied by the Attrition Period Rate Reset amount calculated per the methodology in Paragraph F above.

H. Depreciation Expense and CIAC Amortization Expense (Page 18, 19)

For the Attrition Period Rate Reset, the Company shall use the authorized depreciation and CIAC amortization rates as applicable to utility plant balances as of the end of the Historic Period.

For the Historic Period Excess or Deficiency Calculation, actual expenses for these line items shall be used.

I. Amortization of Investment Tax Credits, Excess Deferred Income Taxes, Regulatory Liabilities and Regulatory Assets (Page 19, 20, 21)

For the Attrition Period Rate Reset, the Company shall use the authorized amortization life applied to the authorized balances per the Rate Order. Should the amortization conclude during an Attrition Period, the Company shall reflect only the amount relevant for that Attrition Period in the Rate Reset calculation (i.e., not an annualized level).

For the Historic Period Excess or Deficiency Calculation, actual amortization for these line items shall be used. The Company shall expense the costs related to the processing of the annual ARM

filing, and therefore recover such costs as part of the Excess or Deficiency Calculation in the normal course of the ARM process. The costs if this initial ARM filing shall be deferred and recovered over three ARM years.

J. Taxes Other than Income: Payroll Taxes, Real Estate Tax (Pages 22, 23)

For the Attrition Period Rate Reset and the Historic Period Excess or Deficiency Calculation, the Company shall use the actual Payroll Taxes as booked in the Historic Period.

K. Taxes Other than Income: Franchise Tax, Gross Receipts Tax, Property Tax (Page 22, 23)

For the Attrition Period Rate Reset in these tax line items, the Company shall use the actual expenses per customer for the prior three calendar years, then multiply this amount times the CPI Index – Water & Sewerage Maintenance value for the end of the Historic Period, compounded by 20 months (midpoint of the Historic Period through midpoint of the Attrition Period). Then, this value is multiplied by the forecasted Attrition Period customer count per the Water Revenues methodology above.

For the Historic Period Excess or Deficiency Calculation, actual expenses for these line items shall be used.

L. Inspection Fees (page 24)

For the Attrition Period Rate Reset, the Company shall use a level based on the Attrition Period's gross receipts, less Bad Debt Expense.

For the Historic Period Excess or Deficiency Calculation, actual Inspection Fees shall be used.

M. State Excise and Federal Income Taxes (Page 24)

For the Attrition Period Rate Reset, the Company shall use the applicable statutory rates.

For the Historic Period Excess or Deficiency Calculation, the statutory State Excise and Federal Income Tax rates as of the end of the Historic Period shall be used.

N. Utility Plant in Service, Accumulated Depreciation, CIAC, Accumulated Amortization of CIAC, Accumulated Deferred Income Taxes (Page 25, 31, 32)

For the Attrition Period Rate Reset, the Company shall use the balances for these line items as of the end of the Historic Period.

For the Historic Period Excess or Deficiency Calculation, the Company shall use the 13-month average (December to December) of the balances for these line items.

O. Cash Working Capital (Page 26)

For both the Attrition Period Rate Reset and Historic Period Excess or Deficiency Calculation, the Company shall use the applicable Period's total Operation and Maintenance Expenses and Taxes Other than Income, less Purchased Water, multiplied by $1/8^{\text{th}}$.

P. Deferred Operating Losses, Deferred Return on Incremental Plant Investment, Deferred Rate Case Costs, Regulatory Liability – Uninsured Property, Excess Deferred Income Taxes (Page 27, 28, 30, 33, 34)

For both the Attrition Period Rate Reset and Historic Period Excess or Deficiency Calculation, the Company shall use the applicable Period's 13-month average (December to December for Historic Period, September to August for Attrition Period) of the unamortized balances for these line items.

Q. Revenue Conversion Factor (Page 39)

For both the Attrition Period Rate Reset and Historic Period Excess or Deficiency Calculation, the Company shall use the approved conversion factor of 1.337392 per the Rate Order, adjusted as needed for any changes per the above methodologies. The excise and federal income tax components are subject to change to reflect the then-current rate.

R. Rate of Return (Page 40)

For both the Attrition Period Rate Reset and Historic Period Excess or Deficiency Calculation, the Company shall use the approved 50%/50% debt/equity ratio, 5.04% cost of debt, and 10.50% return on equity per the Rate Order.

S. Other Adjustments

Consistent with Commission Rules, costs not generally allowed for rate recovery shall be removed or excluded from both the Historic Period and Attrition Period. Removals and exclusions include, but are not limited to, the following categories: Advertising, Lobbying, Charitable Contributions, and Fines & Penalties. Any material one-time, non-recurring items impacting income or costs may be identified and adjusted for by the Company for either the Historic Period or Attrition Period.

T. New Matters

New Matters refers to any issue, adjustment, and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the Commission regarding the Company. The Company may reflect, for the Attrition Period, amortization expense and unamortized balances for new deferral amounts incurred since the Rate Order or for deferral amounts not yet authorized for amortization. The Attrition Period shall also reflect any other relevant changes since the Rate Order in GAAP or other regulatory pronouncements or tax law changes. The Company may include and present studies or other evidence supporting other necessary changes since the Rate Order, such as depreciation studies.

U. Rate Design and Tariff Changes

The Company may propose adjustments to the then-current rate design, miscellaneous terms, tariff language or provisions.

V. Excess or Deficiency Deferral

The Company shall defer any revenue excess or deficiency incurred in the Historic Period. The Company shall recover/credit over the Attrition Period any revenue deficiency/excess deferred.

The deferral shall accrue carrying charges at the authorized rate of return of 7.77% per the Rate Order. Carrying charges shall be calculated based on a simple average of the starting and ending balance of the Historic Period.

W. Additional Alternative Rate Mechanisms

Authorization of the ARM process does not preclude the Company requesting or being approved to implement additional alternative rate mechanisms, as allowed pursuant to T.C.A. § 65-5-103(d).

X. Affidavit Certifying Filing

The Company shall include with its annual filings an affidavit signed by an officer of the Company, certifying that the information included within the filing is accurate and complete.

Y. Cost Allocation Manual

The Company shall include with its annual filings the most current iteration of its Cost Allocation Manual ("CAM"), which details the allocation methodologies for affiliate costs supporting operating companies such as TWS. The CAM shall be consistent with the terms of the active Affiliate interest Agreement for TWS.

III. Defined Terms

A. Excess or Deficiency Calculation

The Company shall calculate, based on the methodologies described above, any excess earnings or deficiency for the Historic Period. The excess earnings or deficiency shall be based on the comparison of the earned return on equity and the authorized 10.50%. This amount shall be used to calculate the Annual True-Up Rate Adjustment.

B. Annual True-Up Rate Adjustment

Defined as the revenue adjustment necessary to allow the Company to recover from or credit to customers the Historic Period deficiency or excess earnings. The Excess or Deficiency Calculation result shall be multiplied by the Revenue Conversion Factor, then shall incorporate any carrying charges, to determine the revenue adjustment required in setting the Attrition Period revenue requirement.

C. Attrition Period Rate Reset

Defined as the adjustment of rates applicable to the Attrition Period, effective September 1st each year, that reflects the Attrition Period methodologies described above and incorporates the Annual True-Up Rate Adjustment into the revenue requirement.

D. Annual ARM Filing

By April 30th each year, the Company shall file with the Commission the schedules and workpapers that reflect 1) actual Historic Period amounts per its books and records, 2) any adjustments to the Historic Period actuals per the methodologies described above, 3) the Excess Earnings or Deficiency Calculation and resulting Annual True-Up Rate Adjustment, 4) the Attrition Period Rate Reset revenue requirement, inclusive of any recovery/credit from the Annual True-Up Rate

Adjustment, calculated per the methodologies described above, 5) proposed tariff rates that support the Attrition Period Rate Reset revenue requirement, and 6) the most current version of the Company's Cost Allocation Manual ("CAM"). The list of schedules to be filed shall include, but need not be limited to:

SCHEDULE	NAME
A	Rate Base
B	Income Statement
C	Annual True Up Reconciliation and Attrition Period Rate Reset
D	Income Taxes
E	Capital Structure and Retention Factor
F	Rate of Return
G	Proposed Tariff
H	Current Cost Allocation Manual
I	Affidavit by Officer
A-1	Plant In-Service and Depreciation Expense
A-2	Accumulated Depreciation
A-3	Cash Working Capital
A-4	Deferred Charges, Regulatory Commission Expense and Deferred Maintenance Expense
A-5	Regulatory Liability and EDIT
A-6	CIAC and CIAC Amortization Expense
B-1	Attrition Period Revenues and Rate Design
B-2	Bill Comparisons at Present Rates and Proposed Rates
B-3	Non-Revenue Water Rate

Tennessee Water Service, Inc.

Docket 23-_____

Annual Review Filing

Historic Period: December 31, 2022

Attrition Period: August 31, 2024

Exhibit 2

Schedule A-1

Plant In-Service and Depreciation Expense

Line No.	Account	Description	Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Attrition Period Under Present Rates	Depreciation Rate	Attrition Period Depreciation
			[A]	[B]	[C]	[D]	[E]	[F]	[G]
1	141101	Land and Rights General	-	-	-	-	-	0.00%	-
2	141102	Land and Rights Pump	-	-	-	-	-	0.00%	-
3	141103	Land and Rights Water	-	-	-	-	-	0.00%	-
4	141104	Land and Rights Trans	-	-	-	-	-	0.00%	-
5	141105	Land and Rights Intangible	-	-	-	-	-	-	-
6	141106	Land and Rights Collections	-	-	-	-	-	-	-
7	141107	Land and Rights Treatment	-	-	-	-	-	0.00%	-
8	141108	Land and Rights Reclaim	-	-	-	-	-	0.00%	-
9	141199	Land Clearing	-	-	-	-	-	-	-
10	141201	Organization	4,548.78	-	4,548.78	-	4,548.78	1.50%	68.23
11	141202	Franchises	-	-	-	-	-	1.50%	-
12	141203	Struct and Improv General Plant	-	-	-	-	-	1.50%	-
13	141204	Struct and Improv Service Supplies	36,668.46	(4,449.82)	32,218.64	4,449.82	36,668.46	1.50%	550.03
14	141205	Struct and Improv Water Treat Plt	8,846.26	-	8,846.26	-	8,846.26	1.50%	132.69
15	141206	Struct and Improv Trans Dist Plt	12,673.09	(6,910.15)	5,762.94	6,910.15	12,673.09	1.50%	190.10
16	141207	Struct and Improv Collect Plant	-	-	-	-	-	1.50%	-
17	141208	Struct and Improv Pump Plant	-	-	-	-	-	1.50%	-
18	141209	Struct and Improv Treatment Plant	-	-	-	-	-	1.50%	-
19	141210	Struct and Improv Reclaim WTP	-	-	-	-	-	1.50%	-
20	141211	Struct and Improv Reclaim Wtr Dist	-	-	-	-	-	1.50%	-
21	141212	Struct and Improv Production	-	-	-	-	-	1.50%	-
22	141213	Struct and Improv Natural Gas	-	-	-	-	-	1.50%	-
23	141214	Struct and Improv Transmissions	-	-	-	-	-	1.50%	-
24	141215	Struct and Improv Distribution	-	59.67	59.67	(59.67)	-	1.50%	-
25	141216	Struct and Improv Electrical	-	-	-	-	-	1.50%	-
26	141217	Struct and Improv Propane	-	-	-	-	-	1.50%	-
27	141218	Struct and Improv Municipal	-	-	-	-	-	1.50%	-
28	141219	Struct and Improv Biomass	-	-	-	-	-	1.50%	-
29	141220	Struct and Improv Office	4,315.97	(155.49)	4,160.48	155.49	4,315.97	1.50%	64.74
30	141221	Collecting Reservoirs	-	-	-	-	-	1.50%	-
31	141222	Lake, River, Other Intakes	-	-	-	-	-	1.50%	-
32	141223	Wells and Springs	280,961.23	(8,207.12)	272,754.11	8,207.12	280,961.23	1.50%	4,214.42
33	141224	Infiltration Gallery	-	-	-	-	-	1.50%	-
34	141225	Supply Mains	1,624.08	(902.38)	721.70	902.38	1,624.08	1.50%	24.36
35	141226	Power Generation Equipment	-	-	-	-	-	1.50%	-
36	141227	Electric Pump Equip Src Pump	42,858.17	-	42,858.17	-	42,858.17	1.50%	642.87
37	141228	Electric Pump Equip WTP	587,640.23	(187.01)	587,453.22	187.01	587,640.23	1.50%	8,814.60
38	141229	Electric Pump Equip Trans Dist	342,048.56	(1,184.39)	340,864.17	1,184.39	342,048.56	1.50%	5,130.73
39	141230	Water Treatment Equipment	25,925.49	-	25,925.49	-	25,925.49	1.50%	388.88
40	141231	Dist Resv and Standpipes	135,051.63	(1,838.18)	133,213.45	1,838.18	135,051.63	1.50%	2,025.77
41	141232	Trans and Distr Mains	1,002,147.08	(985.77)	1,001,161.31	985.77	1,002,147.08	1.50%	15,032.21
42	141233	Service Lines	144,766.94	(3,430.36)	141,336.58	3,430.36	144,766.94	1.50%	2,171.50
43	141234	Meters	66,743.20	(767.31)	65,975.89	767.31	66,743.20	1.50%	1,001.15
44	141235	Meter Installations	12,204.30	-	12,204.30	-	12,204.30	1.50%	183.06
45	141236	Hydrants	144,937.21	-	144,937.21	-	144,937.21	1.50%	2,174.06
46	141237	Backflow Prevention Devices	2,091.38	-	2,091.38	-	2,091.38	1.50%	31.37
47	141238	Power Gen Equip Coll Plt	-	-	-	-	-	1.50%	-
48	141239	Power Gen Equip Pump Plt	-	-	-	-	-	1.50%	-
49	141240	Power Gen Equip Treat Plt	-	-	-	-	-	1.50%	-
50	141241	Sewer Force Main	-	-	-	-	-	1.50%	-
51	141242	Sewer Gravity Main	-	-	-	-	-	1.50%	-
52	141243	Manholes	-	-	-	-	-	1.50%	-
53	141244	Special Collection Structures	-	-	-	-	-	1.50%	-
54	141245	Service to Customers	488.71	-	488.71	-	488.71	1.50%	7.33
55	141246	Flow Measure Devices	-	-	-	-	-	1.50%	-
56	141247	Flow Measure Install	-	-	-	-	-	1.50%	-
57	141248	Receiving Wells	-	-	-	-	-	1.50%	-
58	141249	Pumping Equip Pump Plt	-	-	-	-	-	1.50%	-
59	141250	Pumping Equip Reclaim WTP	-	-	-	-	-	1.50%	-
60	141251	Pumping Equip Rcl Wtr Dist	-	-	-	-	-	1.50%	-
61	141252	Treat/Disp Equip Lagoon	-	-	-	-	-	1.50%	-
62	141253	Treat/Disp Equip Trt Plt	-	-	-	-	-	1.50%	-

Tennessee Water Service, Inc.
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Exhibit 2
Schedule A-1

Plant In-Service and Depreciation Expense

Line No.	Account	Description	Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Attrition Period Under Present Rates	Depreciation Rate	Attrition Period Depreciation
			[A]	[B]	[C]	[D]	[E]	[F]	[G]
63	141254	Treat/Disp Equip Rclm Wtr	-	-	-	-	-	1.50%	-
64	141255	Plant Sewers Treatment Plt	-	-	-	-	-	1.50%	-
65	141256	Plant Sewers Reclaim Wtr	-	-	-	-	-	1.50%	-
66	141257	Outfall Lines	-	-	-	-	-	1.50%	-
67	141258	Reservoirs	-	-	-	-	-	1.50%	-
68	141259	House Regulators	-	-	-	-	-	1.50%	-
69	141260	House Regulatory Install	-	-	-	-	-	1.50%	-
70	141261	Reuse Services	-	-	-	-	-	1.50%	-
71	141262	Reuse Mtr/Installations	-	-	-	-	-	1.50%	-
72	141263	Reuse Dist Reservoirs	-	-	-	-	-	1.50%	-
73	141264	Reuse Transmission and Dist	-	-	-	-	-	1.50%	-
74	141265	Processing Plant	-	-	-	-	-	1.50%	-
75	141266	Maintenance Structure and Improv	-	-	-	-	-	1.50%	-
76	141267	Other and Misc Equip Intangible Plt	-	-	-	-	-	1.50%	-
77	141268	Other and Misc Equip Source Supply	-	-	-	-	-	1.50%	-
78	141269	Other and Misc Equip WTP	-	-	-	-	-	1.50%	-
79	141270	Other and Misc Equip Trans Dist	-	-	-	-	-	1.50%	-
80	141271	Other Tangible Plant	-	-	-	-	-	1.50%	-
81	141272	Other Plant Collection	-	-	-	-	-	1.50%	-
82	141273	Other Plant Pump	-	-	-	-	-	1.50%	-
83	141274	Other Plant Treatment	-	-	-	-	-	1.50%	-
84	141275	Other Plant Reclaim Water Trt	-	-	-	-	-	1.50%	-
85	141276	Other Plant Reclaim Water Dist	-	-	-	-	-	1.50%	-
86	141277	Other Plant	-	-	-	-	-	1.50%	-
87	141278	Plant Alloc	-	-	-	-	-	1.50%	-
88	141292	Non-Utility Property	-	-	-	-	-	1.50%	-
89	141293	Plant Held for Future Use	-	-	-	-	-	1.50%	-
90	141298	FA default	-	-	-	-	-	1.50%	-
91	141299	Utility Plant Clearing	-	-	-	-	-	1.50%	-
92	141301	Building	-	-	-	-	-	1.50%	-
93	141302	Leasehold Improvement	-	-	-	-	-	1.50%	-
94	141303	Office Furniture	3,304.94	(114.50)	3,190.44	114.50	3,304.94	1.50%	49.57
95	141304	Office Equipment	16.06	(0.59)	15.47	0.59	16.06	1.50%	0.24
96	141305	Stores Equipment	18,717.26	(17,275.26)	1,442.00	17,275.26	18,717.26	1.50%	280.76
97	141306	Lab Equipment	584.58	-	584.58	-	584.58	1.50%	8.77
98	141307	Rental Equipment	-	-	-	-	-	1.50%	-
99	141308	Tool Shop Equipment	12,206.64	(5.01)	12,201.63	5.01	12,206.64	1.50%	183.10
100	141309	Power Operated Equipment	671.49	-	671.49	-	671.49	1.50%	10.07
101	141310	Communications Equipment	94,449.62	(16.09)	94,433.53	16.09	94,449.62	1.50%	1,416.74
102	141311	Misc Equipment	1,933.03	-	1,933.03	-	1,933.03	1.50%	29.00
103	141399	Building and Equipment Clearing	-	-	-	-	-	1.50%	-
104	141401	Vehicles	63.14	(2.28)	60.86	2.28	63.14	20.00%	12.63
105	141499	Vehicles Clearing	-	-	-	-	-	20.00%	-
106	141501	Computer Hardware	8.87	(0.32)	8.55	0.32	8.87	33.33%	2.96
107	141502	Desktop/Laptop Computers	807.94	(319.54)	488.40	319.54	807.94	33.33%	269.31
108	141503	Mainframe Computers	1,355.59	(48.83)	1,306.76	48.83	1,355.59	20.00%	271.12
109	141504	Mini Comp Wtr	12,891.27	(557.52)	12,333.75	557.52	12,891.27	33.33%	4,297.09
110	141601	Computer Software	1,743.93	(367.31)	1,376.62	367.31	1,743.93	33.33%	581.31
111	141602	Comp Systems	40,377.30	(1,454.67)	38,922.63	1,454.67	40,377.30	12.50%	5,047.16
112	141603	Micro Systems	701.30	(25.26)	676.04	25.26	701.30	33.33%	233.77
113	141699	Computer Clearing	-	4.59	4.59	(4.59)	-	33.33%	-
114									
115		Total Water Plant	<u>3,046,373.73</u>	<u>(49,140.90)</u>	<u>2,997,232.83</u>	<u>49,140.90</u>	<u>3,046,373.73</u>		<u>55,541.71</u>

Tennessee Water Service, Inc.
Docket 23-_____
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Exhibit 2
Schedule A-2

Accumulated Depreciation

Line No.	Account	Description	Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Attrition Period Under Present Rates
			[A]	[B]	[C]	[D]	[E]
1	142201	Acc Dep - Organization	3,459.28	34.09	3,493.37	(34.09)	3,459.28
2	142202	Acc Dep - Franchises	-	-	-	-	-
3	142203	Acc Dep - Struct and Improv General Plant	-	-	-	-	-
4	142204	Acc Dep - Struct and Improv Service Supplies	(6,804.59)	255.57	(6,549.02)	(255.57)	(6,804.59)
5	142205	Acc Dep - Struct and Improv Water Treat Plt	4,654.64	66.33	4,720.97	(66.33)	4,654.64
6	142206	Acc Dep - Struct and Improv Trans Dist Plt	(325.46)	63.73	(261.73)	(63.73)	(325.46)
7	142207	Acc Dep - Struct and Improv Collect Plant	-	-	-	-	-
8	142208	Acc Dep - Struct and Improv Pump Plant	-	-	-	-	-
9	142209	Acc Dep - Struct and Improv Treatment Plant	-	-	-	-	-
10	142210	Acc Dep - Struct and Improv Reclaim WTP	-	-	-	-	-
11	142211	Acc Dep - Struct and Improv Reclaim Wtr Dist	-	-	-	-	-
12	142212	Acc Dep - Struct and Improv Production	-	-	-	-	-
13	142213	Acc Dep - Struct and Improv Natural Gas	-	-	-	-	-
14	142214	Acc Dep - Struct and Improv Transmissions	-	-	-	-	-
15	142215	Acc Dep - Struct and Improv Distribution	-	-	-	-	-
16	142216	Acc Dep - Struct and Improv Electrical	-	-	-	-	-
17	142217	Acc Dep - Struct and Improv Propane	-	-	-	-	-
18	142218	Acc Dep - Struct and Improv Municipal	-	-	-	-	-
19	142219	Acc Dep - Struct and Improv Biomass	-	-	-	-	-
20	142220	Acc Dep - Struct and Improv Office	(944.85)	171.28	(773.57)	(171.28)	(944.85)
21	142221	Acc Dep - Collecting Reservoirs	-	-	-	-	-
22	142222	Acc Dep - Lake, River, Other Intakes	-	-	-	-	-
23	142223	Acc Dep - Wells and Springs	(90,896.80)	(7,886.08)	(98,782.88)	7,886.08	(90,896.80)
24	142224	Acc Dep - Infiltration Gallery	-	-	-	-	-
25	142225	Acc Dep - Supply Mains	(52.12)	7.67	(44.45)	(7.67)	(52.12)
26	142226	Acc Dep - Power Generation Equipment	-	-	-	-	-
27	142227	Acc Dep - Electric Pump Equip Src Pump	(3,879.87)	321.45	(3,558.42)	(321.45)	(3,879.87)
28	142228	Acc Dep - Electric Pump Equip WTP	20,638.97	4,407.10	25,046.07	(4,407.10)	20,638.97
29	142229	Acc Dep - Electric Pump Equip Trans Dist	(7,355.83)	2,563.92	(4,791.91)	(2,563.92)	(7,355.83)
30	142230	Acc Dep - Water Treatment Equipment	(3,514.78)	194.42	(3,320.36)	(194.42)	(3,514.78)
31	142231	Acc Dep - Dist Resv and Standpipes	(41,819.99)	1,001.39	(40,818.60)	(1,001.39)	(41,819.99)
32	142232	Acc Dep - Trans and Distr Mains	(297,295.09)	7,511.38	(289,783.71)	(7,511.38)	(297,295.09)
33	142233	Acc Dep - Service Lines	1,505.60	1,080.11	2,585.71	(1,080.11)	1,505.60
34	142234	Acc Dep - Meters	21,176.79	497.70	21,674.49	(497.70)	21,176.79
35	142235	Acc Dep - Meter Installations	4,377.42	91.50	4,468.92	(91.50)	4,377.42
36	142236	Acc Dep - Hydrants	7,983.01	1,087.03	9,070.04	(1,087.03)	7,983.01
37	142237	Acc Dep - Backflow Prevention Devices	(127.99)	15.71	(112.28)	(15.71)	(127.99)
38	142238	Acc Dep - Power Gen Equip Coll Plt	-	-	-	-	-
39	142239	Acc Dep - Power Gen Equip Pump Plt	-	-	-	-	-
40	142240	Acc Dep - Power Gen Equip Treat Plt	-	-	-	-	-
41	142241	Acc Dep - Sewer Force Main	-	-	-	-	-
42	142242	Acc Dep - Sewer Gravity Main	-	-	-	-	-
43	142243	Acc Dep - Manholes	-	-	-	-	-
44	142244	Acc Dep - Special Collection Structures	-	-	-	-	-
45	142245	Acc Dep - Service to Customers	(10.29)	3.26	(7.03)	(3.26)	(10.29)
46	142246	Acc Dep - Flow Measure Devices	-	-	-	-	-
47	142247	Acc Dep - Flow Measure Install	-	-	-	-	-
48	142248	Acc Dep - Receiving Wells	-	-	-	-	-
49	142249	Acc Dep - Pumping Equip Pump Plt	-	-	-	-	-
50	142250	Acc Dep - Pumping Equip Reclaim WTP	-	-	-	-	-
51	142251	Acc Dep - Pumping Equip Rcl Wtr Dist	-	-	-	-	-
52	142252	Acc Dep - Treat/Disp Equip Lagoon	-	-	-	-	-
53	142253	Acc Dep - Treat/Disp Equip Trt Plt	-	-	-	-	-
54	142254	Acc Dep - Treat/Disp Equip Rclm Wtr	-	-	-	-	-
55	142255	Acc Dep - Plant Sewers Treatment Plt	-	-	-	-	-

Tennessee Water Service, Inc.
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Exhibit 2
Schedule A-2

Accumulated Depreciation

Line No.	Account	Description	Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Attrition Period Under Present Rates
			[A]	[B]	[C]	[D]	[E]
56	142256	Acc Dep - Plant Sewers Reclaim Wtr	-	-	-	-	-
57	142257	Acc Dep - Outfall Lines	-	-	-	-	-
58	142258	Acc Dep - Reservoirs	-	-	-	-	-
59	142259	Acc Dep - House Regulators	-	-	-	-	-
60	142260	Acc Dep - House Regulatory Install	-	-	-	-	-
61	142261	Acc Dep - Reuse Services	-	-	-	-	-
62	142262	Acc Dep - Reuse Mtr/Installations	-	-	-	-	-
63	142263	Acc Dep - Reuse Dist Reservoirs	-	-	-	-	-
64	142264	Acc Dep - Reuse Transmission and Dist	-	-	-	-	-
65	142265	Acc Dep - Processing Plant	-	-	-	-	-
66	142266	Acc Dep - Maintenance Structure and Improv	-	-	-	-	-
67	142267	Acc Dep - Other and Misc Equip Intangible Plt	-	-	-	-	-
68	142268	Acc Dep - Other and Misc Equip Source Supply	-	-	-	-	-
69	142269	Acc Dep - Other and Misc Equip WTP	-	-	-	-	-
70	142270	Acc Dep - Other and Misc Equip Trans Dist	-	-	-	-	-
71	142271	Acc Dep - Other Tangible Plant	-	-	-	-	-
72	142272	Acc Dep - Other Plant Collection	-	-	-	-	-
73	142273	Acc Dep - Other Plant Pump	-	-	-	-	-
74	142274	Acc Dep - Other Plant Treatment	-	-	-	-	-
75	142275	Acc Dep - Other Plant Reclaim Water Trt	-	-	-	-	-
76	142276	Acc Dep - Other Plant Reclaim Water Dist	-	-	-	-	-
77	142277	Acc Dep - Other Plant	-	-	-	-	-
78	142278	Acc Dep - Plant Alloc	-	-	-	-	-
79	142292	Acc Dep - Non-Utility Property	-	-	-	-	-
80	142293	Acc Dep - Plant Held for Future Use	-	-	-	-	-
81	142299	Acc Dep - Land	-	-	-	-	-
82	142301	Acc Dep - Building	-	-	-	-	-
83	142302	Acc Dep - Leasehold Improvement	-	-	-	-	-
84	142303	Acc Dep - Office Furniture	(2,006.17)	125.46	(1,880.71)	(125.46)	(2,006.17)
85	142304	Acc Dep - Office Equipment	(2.39)	0.79	(1.60)	(0.79)	(2.39)
86	142305	Acc Dep - Stores Equipment	(86.85)	80.04	(6.81)	(80.04)	(86.85)
87	142306	Acc Dep - Lab Equipment	1,419.45	4.38	1,423.83	(4.38)	1,419.45
88	142307	Acc Dep - Rental Equipment	-	-	-	-	-
89	142308	Acc Dep - Tool Shop Equipment	(1,923.23)	92.56	(1,830.67)	(92.56)	(1,923.23)
90	142309	Acc Dep - Power Operated Equipment	(124.26)	5.03	(119.23)	(5.03)	(124.26)
91	142310	Acc Dep - Communications Equipment	(11,261.91)	746.72	(10,515.19)	(746.72)	(11,261.91)
92	142311	Acc Dep - Misc Equipment	(118.48)	14.47	(104.01)	(14.47)	(118.48)
93	142401	Acc Dep - Vehicles	(63.14)	2.28	(60.86)	(2.28)	(63.14)
94	142501	Acc Dep - Computer Hardware	(3.56)	0.97	(2.59)	(0.97)	(3.56)
95	142502	Acc Dep - Desktop/Laptop Computers	(118.57)	66.85	(51.72)	(66.85)	(118.57)
96	142503	Acc Dep - Mainframe Computers	(1,355.59)	48.83	(1,306.76)	(48.83)	(1,355.59)
97	142504	Acc Dep - Mini Comp Wtr	(12,058.00)	1,311.09	(10,746.91)	(1,311.09)	(12,058.00)
98	142601	Acc Dep - Computer Software	(596.01)	207.46	(388.55)	(207.46)	(596.01)
99	142602	Acc Dep - Comp Systems	(36,307.60)	1,852.01	(34,455.59)	(1,852.01)	(36,307.60)
100	142603	Acc Dep - Micro Systems	(701.30)	25.26	(676.04)	(25.26)	(701.30)
101	142701	Acc Dep - Salvage	-	-	-	-	-
102	142702	Cost of Removal	-	-	-	-	-
103	142801	Acc Dep - Fixed Assets Accrued	-	-	-	-	-
104							
105		Total Water Plant	<u>(454,539.56)</u>	<u>16,071.78</u>	<u>(438,467.78)</u>	<u>(16,071.78)</u>	<u>(454,539.56)</u>

Tennessee Water Service, Inc.
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Exhibit 2
Schedule A-3

Cash Working Capital

Line No.	Description	Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Attrition Period Under Present Rates
		[A]	[B]	[C]	[D]	[E]
1	Maintenance & General Expenses, less purchased wa	129,297.05	-	129,297.05	46,256.73	175,553.78
2	General expenses	85,269.90	-	85,269.90	11,776.97	97,046.87
3	Taxes Other than Income	1,664.81	-	1,664.81	15,553.39	17,218.20
4	Total cash working capital expenses	<u>216,231.76</u>	<u>-</u>	<u>216,231.76</u>	<u>73,587.09</u>	<u>289,818.85</u>
5	Cash Working Capital (Line 4 multiplied by 1/8)	27,028.97	-	27,028.97	9,198.39	36,227.36

Tennessee Water Service, Inc.
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Exhibit 2
Schedule A-4

Deferred Charges, Regulatory Commission Expense and Deferred Maintenance Expense

Month	2019 Rate Case Expense	2023 ARM Filing Expense	2017- Sept 2018 Operating Loss	Oct 2018 - 2019 Operating Loss	Return on Plant	Total	13 Month Average
12/31/2019	103,188.00		208,940.00	122,567.77	57,574.00	492,269.77	
1/31/2020	101,468.20		207,198.83	122,567.77	57,094.22	488,329.02	
2/29/2020	99,748.40		205,457.67	122,567.77	56,614.43	484,388.27	
3/31/2020	98,028.60		203,716.50	122,567.77	56,134.65	480,447.52	
4/30/2020	96,308.80		201,975.33	122,567.77	55,654.87	476,506.77	
5/31/2020	94,589.00		200,234.17	122,567.77	55,175.08	472,566.02	
6/30/2020	92,869.20		198,493.00	122,567.77	54,695.30	468,625.27	
7/31/2020	91,149.40		196,751.83	122,567.77	54,215.52	464,684.52	
8/31/2020	89,429.60		195,010.67	122,567.77	53,735.73	460,743.77	
9/30/2020	87,709.80		193,269.50	122,567.77	53,255.95	456,803.02	
10/31/2020	85,990.00		191,528.33	122,567.77	52,776.17	452,862.27	
11/30/2020	84,270.20		189,787.17	122,567.77	52,296.38	448,921.52	
12/31/2020	82,550.40		188,046.00	122,567.77	51,816.60	444,980.77	
1/31/2021	80,830.60		186,304.83	122,567.77	51,336.82	441,040.02	468,625.27
2/28/2021	79,110.80		184,563.67	122,567.77	50,857.03	437,099.27	464,684.52
3/31/2021	77,391.00		182,822.50	122,567.77	50,377.25	433,158.52	460,743.77
4/30/2021	75,671.20		181,081.33	122,567.77	49,897.47	429,217.77	456,803.02
5/31/2021	73,951.40		179,340.17	122,567.77	49,417.68	425,277.02	452,862.27
6/30/2021	72,231.60		177,599.00	122,567.77	48,937.90	421,336.27	448,921.52
7/31/2021	70,511.80		175,857.83	122,567.77	48,458.12	417,395.52	444,980.77
8/31/2021	68,792.00		174,116.67	122,567.77	47,978.33	413,454.77	441,040.02
9/30/2021	67,072.20		172,375.50	122,567.77	47,498.55	409,514.02	437,099.27
10/31/2021	65,352.40		170,634.33	122,567.77	47,018.77	405,573.27	433,158.52
11/30/2021	63,632.60		168,893.17	122,567.77	46,538.98	401,632.52	429,217.77
12/31/2021	61,912.80		167,152.00	122,567.77	46,059.20	397,691.77	425,277.02
1/31/2022	60,193.00		165,410.83	122,567.77	45,579.42	393,751.02	421,336.27
2/28/2022	58,473.20		163,669.67	122,567.77	45,099.63	389,810.27	417,395.52
3/31/2022	56,753.40		161,928.50	122,567.77	44,619.85	385,869.52	413,454.77
4/30/2022	55,033.60		160,187.33	122,567.77	44,140.07	381,928.77	409,514.02
5/31/2022	53,313.80		158,446.17	122,567.77	43,660.28	377,988.02	405,573.27
6/30/2022	51,594.00		156,705.00	122,567.77	43,180.50	374,047.27	401,632.52
7/31/2022	49,874.20		154,963.83	122,567.77	42,700.72	370,106.52	397,691.77
8/31/2022	48,154.40		153,222.67	122,567.77	42,220.93	366,165.77	393,751.02
9/30/2022	46,434.60		151,481.50	122,567.77	41,741.15	362,225.02	389,810.27
10/31/2022	44,714.80		149,740.33	122,567.77	41,261.37	358,284.27	385,869.52
11/30/2022	42,995.00		147,999.17	122,567.77	40,781.58	354,343.52	381,928.77
12/31/2022	41,275.20		146,258.00	122,567.77	40,301.80	350,402.77	377,988.02
1/31/2023	39,555.40		144,516.83	122,567.77	39,822.02	346,462.02	374,047.27
2/28/2023	37,835.60		142,775.67	122,567.77	39,342.23	342,521.27	370,106.52
3/31/2023	36,115.80		141,034.50	122,567.77	38,862.45	338,580.52	366,165.77
4/30/2023	34,396.00		139,293.33	122,567.77	38,382.67	334,639.77	362,225.02
5/31/2023	32,676.20		137,552.17	122,567.77	37,902.88	330,699.02	358,284.27
6/30/2023	30,956.40		135,811.00	122,567.77	37,423.10	326,758.27	354,343.52
7/31/2023	29,236.60		134,069.83	122,567.77	36,943.32	322,817.52	350,402.77
8/31/2023	27,516.80	35,000.00	132,328.67	122,567.77	36,463.53	353,876.77	346,462.02
9/30/2023	25,797.00	34,027.78	130,587.50	121,546.37	35,983.75	347,942.40	345,213.58
10/31/2023	24,077.20	33,055.56	128,846.33	120,524.97	35,503.97	342,008.03	343,811.78
11/30/2023	22,357.40	32,083.33	127,105.17	119,503.58	35,024.18	336,073.66	342,256.63
12/31/2023	20,637.60	31,111.11	125,364.00	118,482.18	34,544.40	330,139.29	340,548.12
1/31/2024	18,917.80	30,138.89	123,622.83	117,460.78	34,064.62	324,204.92	338,686.25
2/29/2024	17,198.00	29,166.67	121,881.67	116,439.38	33,584.83	318,270.55	336,671.04
3/31/2024	15,478.20	28,194.44	120,140.50	115,417.98	33,105.05	312,336.18	334,502.46
4/30/2024	13,758.40	27,222.22	118,399.33	114,396.59	32,625.27	306,401.81	332,180.53
5/31/2024	12,038.60	26,250.00	116,658.17	113,375.19	32,145.48	300,467.44	329,705.24
6/30/2024	10,318.80	25,277.78	114,917.00	112,353.79	31,665.70	294,533.07	327,076.60
7/31/2024	8,599.00	24,305.56	113,175.83	111,332.39	31,185.92	288,598.70	324,294.61
8/31/2024	6,879.20	23,333.33	111,434.67	110,310.99	30,706.13	282,664.33	321,359.26
Monthly Amort.	1,719.80	972.22	1,741.17	1,021.40	479.78		
Attrition Period Expense	20,637.60	11,666.67	20,894.00	12,256.78	5,757.40		
Regulatory Commission Expense		32,304.27					
Deferred Maintenance Expense					38,908.18		

Tennessee Water Service, Inc.
Docket 23-_____
Annual Review Filing
Historic Period: December 31, 2022
Attrition Period: August 31, 2024

Exhibit 2
Schedule A-5

Regulatory Liability and EDIT

Month	EDIT			13 Month Average	Uninsured Property	
	EDIT - Protected	EDIT - Unprotected	Total		Uninsured Property	13 Month Average
12/31/2019	(72,183.11)	(3,887.83)	(76,070.94)		(382,016.00)	
1/31/2020	(72,060.35)	(3,779.83)	(75,840.18)		(381,538.50)	
2/29/2020	(71,937.59)	(3,671.83)	(75,609.42)		(381,061.00)	
3/31/2020	(71,814.83)	(3,563.83)	(75,378.66)		(380,583.50)	
4/30/2020	(71,692.07)	(3,455.83)	(75,147.90)		(380,106.00)	
5/31/2020	(71,569.31)	(3,347.83)	(74,917.14)		(379,628.50)	
6/30/2020	(71,446.55)	(3,239.83)	(74,686.38)		(379,151.00)	
7/31/2020	(71,323.79)	(3,131.83)	(74,455.62)		(378,673.50)	
8/31/2020	(71,201.03)	(3,023.83)	(74,224.86)		(378,196.00)	
9/30/2020	(71,078.27)	(2,915.83)	(73,994.10)		(377,718.50)	
10/31/2020	(70,955.51)	(2,807.83)	(73,763.34)		(377,241.00)	
11/30/2020	(70,832.75)	(2,699.83)	(73,532.58)		(376,763.50)	
12/31/2020	(70,709.99)	(2,591.83)	(73,301.82)		(376,286.00)	
1/31/2021	(70,587.23)	(2,483.83)	(73,071.06)	(74,686.38)	(375,808.50)	(379,151.00)
2/28/2021	(70,464.47)	(2,375.83)	(72,840.30)	(74,455.62)	(375,331.00)	(378,673.50)
3/31/2021	(70,341.71)	(2,267.83)	(72,609.54)	(74,224.86)	(374,853.50)	(378,196.00)
4/30/2021	(70,218.95)	(2,159.83)	(72,378.78)	(73,994.10)	(374,376.00)	(377,718.50)
5/31/2021	(70,096.19)	(2,051.83)	(72,148.02)	(73,763.34)	(373,898.50)	(377,241.00)
6/30/2021	(69,973.43)	(1,943.83)	(71,917.26)	(73,532.58)	(373,421.00)	(376,763.50)
7/31/2021	(69,850.67)	(1,835.83)	(71,686.50)	(73,301.82)	(372,943.50)	(376,286.00)
8/31/2021	(69,727.91)	(1,727.83)	(71,455.74)	(73,071.06)	(372,466.00)	(375,808.50)
9/30/2021	(69,605.15)	(1,619.83)	(71,224.98)	(72,840.30)	(371,988.50)	(375,331.00)
10/31/2021	(69,482.39)	(1,511.83)	(70,994.22)	(72,609.54)	(371,511.00)	(374,853.50)
11/30/2021	(69,359.63)	(1,403.83)	(70,763.46)	(72,378.78)	(371,033.50)	(374,376.00)
12/31/2021	(69,236.87)	(1,295.83)	(70,532.70)	(72,148.02)	(370,556.00)	(373,898.50)
1/31/2022	(69,114.11)	(1,187.83)	(70,301.94)	(71,917.26)	(370,078.50)	(373,421.00)
2/28/2022	(68,991.35)	(1,079.83)	(70,071.18)	(71,686.50)	(369,601.00)	(372,943.50)
3/31/2022	(68,868.59)	(971.83)	(69,840.42)	(71,455.74)	(369,123.50)	(372,466.00)
4/30/2022	(68,745.83)	(863.83)	(69,609.66)	(71,224.98)	(368,646.00)	(371,988.50)
5/31/2022	(68,623.07)	(755.83)	(69,378.90)	(70,994.22)	(368,168.50)	(371,511.00)
6/30/2022	(68,500.31)	(647.83)	(69,148.14)	(70,763.46)	(367,691.00)	(371,033.50)
7/31/2022	(68,377.55)	(539.83)	(68,917.38)	(70,532.70)	(367,213.50)	(370,556.00)
8/31/2022	(68,254.79)	(431.83)	(68,686.62)	(70,301.94)	(366,736.00)	(370,078.50)
9/30/2022	(68,132.03)	(323.83)	(68,455.86)	(70,071.18)	(366,258.50)	(369,601.00)
10/31/2022	(68,009.27)	(215.83)	(68,225.10)	(69,840.42)	(365,781.00)	(369,123.50)
11/30/2022	(67,886.51)	(107.83)	(67,994.34)	(69,609.66)	(365,303.50)	(368,646.00)
12/31/2022	(67,763.75)	-	(67,763.75)	(69,378.90)	(364,826.00)	(368,168.50)
1/31/2023	(67,640.99)		(67,640.99)	(69,148.15)	(364,348.50)	(367,691.00)
2/28/2023	(67,518.23)		(67,518.23)	(68,925.71)	(363,871.00)	(367,213.50)
3/31/2023	(67,395.47)		(67,395.47)	(68,711.58)	(363,393.50)	(366,736.00)
4/30/2023	(67,272.71)		(67,272.71)	(68,505.76)	(362,916.00)	(366,258.50)
5/31/2023	(67,149.95)		(67,149.95)	(68,308.24)	(362,438.50)	(365,781.00)
6/30/2023	(67,027.19)		(67,027.19)	(68,119.03)	(361,961.00)	(365,303.50)
7/31/2023	(66,904.43)		(66,904.43)	(67,938.13)	(361,483.50)	(364,826.00)
8/31/2023	(66,781.67)		(66,781.67)	(67,765.54)	(361,006.00)	(364,348.50)
9/30/2023	(66,658.91)		(66,658.91)	(67,601.25)	(360,528.50)	(363,871.00)
10/31/2023	(66,536.15)		(66,536.15)	(67,445.28)	(360,051.00)	(363,393.50)
11/30/2023	(66,413.39)		(66,413.39)	(67,297.61)	(359,573.50)	(362,916.00)
12/31/2023	(66,290.63)		(66,290.63)	(67,158.24)	(359,096.00)	(362,438.50)
1/31/2024	(66,167.87)		(66,167.87)	(67,027.19)	(358,618.50)	(361,961.00)
2/29/2024	(66,045.11)		(66,045.11)	(66,904.43)	(358,141.00)	(361,483.50)
3/31/2024	(65,922.35)		(65,922.35)	(66,781.67)	(357,663.50)	(361,006.00)
4/30/2024	(65,799.59)		(65,799.59)	(66,658.91)	(357,186.00)	(360,528.50)
5/31/2024	(65,676.83)		(65,676.83)	(66,536.15)	(356,708.50)	(360,051.00)
6/30/2024	(65,554.07)		(65,554.07)	(66,413.39)	(356,231.00)	(359,573.50)
7/31/2024	(65,431.31)		(65,431.31)	(66,290.63)	(355,753.50)	(359,096.00)
8/31/2024	(65,308.55)		(65,308.55)	(66,167.87)	(355,276.00)	(358,618.50)
Monthly Amort.	(122.76)	(108.00)			(477.50)	

Tennessee Water Service, Inc.

Docket 23-_____

Annual Review Filing

Historic Period: December 31, 2022

Attrition Period: August 31, 2024

Exhibit 2

Schedule A-6

Contribution-In-Aid of Construction and Amortization Expense

Line No.	Account	Description	Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Period Under Present	CIAC Rate	Attrition Period CIAC Ammortization
			[A]	[B]	[C]	[D]	[E]	[F]	[G]
1	141899	CIAC-Clearing	-	-	-	-	-	0.00%	-
2	271001	CIAC - Organization	-	-	-	-	-	1.50%	-
3	271002	CIAC - Franchises	-	-	-	-	-	1.50%	-
4	271003	CIAC - Structure/Improvement Src Supply	-	-	-	-	-	1.50%	-
5	271004	CIAC - Structure/Improvement WTP	-	-	-	-	-	1.50%	-
6	271005	CIAC - Structure/Improvement Trans Dist	-	-	-	-	-	1.50%	-
7	271006	CIAC - Structure/Improvement Coll Plant	-	-	-	-	-	1.50%	-
8	271007	CIAC - Structure/Improvement Pump Plant Ls	-	-	-	-	-	1.50%	-
9	271008	CIAC - Structure/Improvement Treatment Plant	-	-	-	-	-	1.50%	-
10	271009	CIAC - Structure/Improvement Reclaim Dist	-	-	-	-	-	1.50%	-
11	271010	CIAC - Structure/Improvement Reclaim WTP	-	-	-	-	-	1.50%	-
12	271011	CIAC - Structure/Improvement Generator Plant	-	-	-	-	-	1.50%	-
13	271012	CIAC - Power Generator Equipment COLL Plant	-	-	-	-	-	1.50%	-
14	271013	CIAC - Power Generator Equipment Treatment Plant	-	-	-	-	-	1.50%	-
15	271014	CIAC - Power Generator Equipment Reclaim WTP	-	-	-	-	-	0.00%	-
16	271015	CIAC - Power Generator Equipment Reclaim DIST	-	-	-	-	-	0.00%	-
17	271016	CIAC - Power Generator Equipment Pump Plant	-	-	-	-	-	1.50%	-
18	271017	CIAC - Wells and Springs	-	-	-	-	-	1.50%	-
19	271018	CIAC - Supply Mains	-	-	-	-	-	1.50%	-
20	271019	CIAC - Electric Pump Equipment Src Pump	-	-	-	-	-	1.50%	-
21	271020	CIAC - Electric Pump Equipment WTP	-	-	-	-	-	1.50%	-
22	271021	CIAC - Electric Pump Equipment Trans Dist	-	-	-	-	-	1.50%	-
23	271022	CIAC - Water Treatment Equipment	-	-	-	-	-	1.50%	-
24	271023	CIAC - Dist Resv and S	-	-	-	-	-	1.50%	-
25	271024	CIAC - Trans and Distr Mains	-	-	-	-	-	1.50%	-
26	271025	CIAC - Service Lines	-	-	-	-	-	1.50%	-
27	271026	CIAC - Meters	-	-	-	-	-	1.50%	-
28	271027	CIAC - Meter Installations	-	-	-	-	-	1.50%	-
29	271028	CIAC - Hydrants	-	-	-	-	-	1.50%	-
30	271029	CIAC - Backflow Prevent D	-	-	-	-	-	1.50%	-
31	271030	CIAC - Collecting Reservo	-	-	-	-	-	1.50%	-
32	271031	CIAC - Lake, River, Other	-	-	-	-	-	0.00%	-
33	271032	CIAC - Office Structure	-	-	-	-	-	1.50%	-
34	271033	CIAC - Office Furniture/Equipment	-	-	-	-	-	1.50%	-
35	271034	CIAC - Misc Equipment	-	-	-	-	-	1.50%	-
36	271035	CIAC - Other Tangible Plant	(998,451.59)	-	(998,451.59)	-	(998,451.59)	1.50%	(14,976.77)
37	271036	CIAC - Tap Fee	(24,669.89)	1,360.85	(23,309.04)	(1,360.85)	(24,669.89)	1.50%	(370.05)
38	271037	CIAC - Management Fee	-	-	-	-	-	1.50%	-
39	271038	CIAC - Line Ext Fee	-	-	-	-	-	1.50%	-
40	271039	CIAC - Res Cap Fee	-	-	-	-	-	1.50%	-
41	271040	CIAC - Plant Mod Fee	-	-	-	-	-	1.50%	-
42	271041	CIAC - Plant Meter Fee	(16,324.99)	-	(16,324.99)	-	(16,324.99)	1.50%	(244.87)
43	271042	CIAC - Sewer Force Main	-	-	-	-	-	1.50%	-
44	271043	CIAC - Sewer Gravity Main	-	-	-	-	-	1.50%	-
45	271044	CIAC - Manholes	-	-	-	-	-	1.50%	-
46	271045	CIAC - Special Coll Struc	-	-	-	-	-	1.50%	-
47	271046	CIAC - Service to Customers	-	-	-	-	-	1.50%	-
48	271047	CIAC - Flow Measure Devices	-	-	-	-	-	1.50%	-
49	271048	CIAC - Flow Measure Install	-	-	-	-	-	1.50%	-
50	271049	CIAC - Pump Equipment Pump Plant	-	-	-	-	-	1.50%	-
51	271050	CIAC - Pump Equipment Reclaim Water	-	-	-	-	-	1.50%	-
52	271051	CIAC - Pump Equipment Reclaim Dist	-	-	-	-	-	1.50%	-
53	271052	CIAC - Laborator Equipment	-	-	-	-	-	1.50%	-
54	271053	CIAC - Treatment/Disp Equipment Lagoon	-	-	-	-	-	1.50%	-
55	271054	CIAC - Treatment/Disp Equipment Treatment Plant	-	-	-	-	-	1.50%	-
56	271055	CIAC - Treatment/Disp Equipment Reclaim WTP	-	-	-	-	-	1.50%	-
57	271056	CIAC - Sewer Treatment Plant	-	-	-	-	-	1.50%	-
58	271057	CIAC - Outfall Lines	-	-	-	-	-	1.50%	-
59	271058	CIAC - Stores Equipment	-	-	-	-	-	1.50%	-
60	271059	CIAC - Power Operated Equipment	-	-	-	-	-	1.50%	-
61	271060	CIAC - Communication Equipment	-	-	-	-	-	1.50%	-
62	271061	CIAC - Reuse Services	-	-	-	-	-	1.50%	-
63	271062	CIAC - Reuse Dist Reservoir	-	-	-	-	-	1.50%	-
64	271063	CIAC - Reuse Transmission	-	-	-	-	-	1.50%	-
65	271064	CIAC - Capital	-	-	-	-	-	0.00%	-
66	271065	CIAC - Commercial Concession	-	-	-	-	-	0.00%	-
67	271066	CIAC - Developer	-	-	-	-	-	0.00%	-
68	271067	CIAC - Post Oct 97	-	-	-	-	-	0.00%	-
69	271068	CIAC - New (Taxable)N	-	-	-	-	-	0.00%	-
70	271069	CIAC - Old-10 Year (Taxable)	-	-	-	-	-	0.00%	-
71	271070	CIAC - Old Plant	-	-	-	-	-	0.00%	-
72	271071	CIAC - Estimates Only	-	-	-	-	-	0.00%	-
73	271072	CIAC - Unallocated - Non-taxable	-	-	-	-	-	0.00%	-
74	271073	CIAC - Unallocated - Taxable	-	-	-	-	-	0.00%	-
75	271074	CIAC - Utility Reloc/Non-taxable	-	-	-	-	-	0.00%	-
76	271075	CIAC - Utility Reloc/Taxable	-	-	-	-	-	0.00%	-
77	271076	CIAC - Residential	-	-	-	-	-	0.00%	-
78	271077	CIAC - Concession CIAC ETS/DPS - SC	-	-	-	-	-	0.00%	-
79	271078	CIAC - BC Hydro Grant	-	-	-	-	-	0.00%	-
80	271079	CIAC - Land	-	-	-	-	-	0.00%	-
81		Total Gross CIAC - Water	#####	1,360.85	#####	(1,360.85)	#####		(15,591.70)
82	272001	Acc Amort CIAC - Organization	-	-	-	-	-	1.50%	-
83	272002	Acc Amort CIAC - Franchises	-	-	-	-	-	1.50%	-
84	272003	Acc Amort CIAC - Structure/Improvement Src Supply	-	-	-	-	-	1.50%	-
85	272004	Acc Amort CIAC - Structure/Improvement WTP	-	-	-	-	-	1.50%	-
86	272005	Acc Amort CIAC - Structure/Improvement Trans Dist	-	-	-	-	-	1.50%	-
87	272006	Acc Amort CIAC - Structure/Improvement Coll Plant	-	-	-	-	-	1.50%	-
88	272007	Acc Amort CIAC - Structure/Improvement Pump Plant Ls	-	-	-	-	-	1.50%	-
89	272008	Acc Amort CIAC - Structure/Improvement Treat Plant	-	-	-	-	-	1.50%	-

Tennessee Water Service, Inc.

Docket 23-_____

Annual Review Filing

Historic Period: December 31, 2022

Attrition Period: August 31, 2024

Exhibit 2

Schedule A-6

Contribution-In-Aid of Construction and Amortization Expense

Line No.	Account	Description	Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Period Under Present	CIAC Rate	Attrition Period CIAC Ammortization
			[A]	[B]	[C]	[D]	[E]	[F]	[G]
90	272009	Acc Amort CIAC - Structure/Improvement Reclaim Dist	-	-	-	-	-	1.50%	
91	272010	Acc Amort CIAC - Structure/Improvement Reclaim WTP	-	-	-	-	-	1.50%	
92	272011	Acc Amort CIAC - Structure/Improvement Generator Plant	-	-	-	-	-	1.50%	
93	272012	Acc Amort CIAC - Power Generator Equipment COLL Plant	-	-	-	-	-	1.50%	
94	272013	Acc Amort CIAC - Power Generator Equipment Treatment Plant	-	-	-	-	-	1.50%	
95	272014	Acc Amort CIAC - Power Generator Equipment Reclaim WTP	-	-	-	-	-	0.00%	
96	272015	Acc Amort CIAC - Power Generator Equipment Reclaim Dist	-	-	-	-	-	0.00%	
97	272016	Acc Amort CIAC - Power Generator Equipment Pump Plant	-	-	-	-	-	1.50%	
98	272017	Acc Amort CIAC - Wells and Springs	-	-	-	-	-	1.50%	
99	272018	Acc Amort CIAC - Supply Mains	-	-	-	-	-	1.50%	
100	272019	Acc Amort CIAC - Electric Pump Equipment Src Pump	-	-	-	-	-	1.50%	
101	272020	Acc Amort CIAC - Electric Pump Equipment Water Treatment Pla	-	-	-	-	-	1.50%	
102	272021	Acc Amort CIAC - Electric Pump Equipment Trans Dist	-	-	-	-	-	1.50%	
103	272022	Acc Amort CIAC - Water Treatment Equipment	-	-	-	-	-	1.50%	
104	272023	Acc Amort CIAC - Dist Resv and S	-	-	-	-	-	1.50%	
105	272024	Acc Amort CIAC - Trans and Distr Mains	-	-	-	-	-	1.50%	
106	272025	Acc Amort CIAC - Service Lines	-	-	-	-	-	1.50%	
107	272026	Acc Amort CIAC - Meters	-	-	-	-	-	1.50%	
108	272027	Acc Amort CIAC - Meter Installations	-	-	-	-	-	1.50%	
109	272028	Acc Amort CIAC - Hydrants	-	-	-	-	-	1.50%	
110	272029	Acc Amort CIAC - Backflow Prevent D	-	-	-	-	-	1.50%	
111	272030	Acc Amort CIAC - Collecting Reservo	-	-	-	-	-	1.50%	
112	272031	Acc Amort CIAC - Lake, River, Other	-	-	-	-	-	1.50%	
113	272032	Acc Amort CIAC - Office Structure	-	-	-	-	-	1.50%	
114	272033	Acc Amort CIAC - Office Furniture/Equipment	-	-	-	-	-	1.50%	
115	272034	Acc Amort CIAC - Misc Equipment	-	-	-	-	-	1.50%	
116	272035	Acc Amort CIAC - Other Tangible Plant	416,901.00	(7,488.41)	409,412.59	7,488.41	416,901.00	1.50%	
117	272036	Acc Amort CIAC - Tap Fee	2,061.27	(171.93)	1,889.34	171.93	2,061.27	1.50%	
118	272037	Acc Amort CIAC - Management Fee	-	-	-	-	-	1.50%	
119	272038	Acc Amort CIAC - Line Ext Fee	-	-	-	-	-	1.50%	
120	272039	Acc Amort CIAC - Res Cap Fee	-	-	-	-	-	1.50%	
121	272040	Acc Amort CIAC - Plant Mod Fee	-	-	-	-	-	1.50%	
122	272041	Acc Amort CIAC - Plant Meter Fee	964.43	(122.41)	842.02	122.41	964.43	1.50%	
123	272042	Acc Amort CIAC - Sewer Force Main	-	-	-	-	-	1.50%	
124	272043	Acc Amort CIAC - Sewer Gravity Main	-	-	-	-	-	1.50%	
125	272044	Acc Amort CIAC - Manholes	-	-	-	-	-	1.50%	
126	272045	Acc Amort CIAC - Special Coll Struc	-	-	-	-	-	1.50%	
127	272046	Acc Amort CIAC - Service to Customers	-	-	-	-	-	1.50%	
128	272047	Acc Amort CIAC - Flow Measure Devices	-	-	-	-	-	1.50%	
129	272048	Acc Amort CIAC - Flow Measure Install	-	-	-	-	-	1.50%	
130	272049	Acc Amort CIAC - Pump Equipment Pump Plant	-	-	-	-	-	1.50%	
131	272050	Acc Amort CIAC - Pump Equipment Reclaim Water	-	-	-	-	-	1.50%	
132	272051	Acc Amort CIAC - Pump Equipment Reclaim Dist	-	-	-	-	-	1.50%	
133	272052	Acc Amort CIAC - Laboratory Equipment	-	-	-	-	-	1.50%	
134	272053	Acc Amort CIAC - Treatment/Disp Equipment Lagoon	-	-	-	-	-	1.50%	
135	272054	Acc Amort CIAC - Treatment/Disp Equipment Treatment Plant	-	-	-	-	-	1.50%	
136	272055	Acc Amort CIAC - Treatment/Disp Equipment Reclaim WTP	-	-	-	-	-	1.50%	
137	272056	Acc Amort CIAC - Sewer Treatment Plant	-	-	-	-	-	1.50%	
138	272057	Acc Amort CIAC - Outfall Lines	-	-	-	-	-	1.50%	
139	272058	Acc Amort CIAC - Stores Equipment	-	-	-	-	-	1.50%	
140	272059	Acc Amort CIAC - Power Operated Equipment	-	-	-	-	-	1.50%	
141	272060	Acc Amort CIAC - Communication Equipment	-	-	-	-	-	1.50%	
142	272061	Acc Amort CIAC - Reuse Services	-	-	-	-	-	1.50%	
143	272062	Acc Amort CIAC - Reuse Dist Reservoir	-	-	-	-	-	1.50%	
144	272063	Acc Amort CIAC - Reuse Transmission	-	-	-	-	-	1.50%	
145	272064	Acc Amort CIAC - Capital	-	-	-	-	-	0.00%	
146	272065	Acc Amort CIAC - Commercial Concession	-	-	-	-	-	0.00%	
147	272066	Acc Amort CIAC - Developer	-	-	-	-	-	0.00%	
148	272067	Acc Amort CIAC - Post Oct 97	-	-	-	-	-	0.00%	
149	272068	Acc Amort CIAC - New (Taxable)N	-	-	-	-	-	0.00%	
150	272069	Acc Amort CIAC - Old-10 Year (Taxable)	-	-	-	-	-	0.00%	
151	272070	Acc Amort CIAC - Old Plant	-	-	-	-	-	0.00%	
152	272071	Acc Amort CIAC - Estimates Only	-	-	-	-	-	0.00%	
153	272072	Acc Amort CIAC - Unallocated - Non-taxable	-	-	-	-	-	0.00%	
154	272073	Acc Amort CIAC - Unallocated - Taxable	-	-	-	-	-	0.00%	
155	272074	Acc Amort CIAC - Utility Reloc/Non-taxable	-	-	-	-	-	0.00%	
156	272075	Acc Amort CIAC - Utility Reloc/Taxable	-	-	-	-	-	0.00%	
157	272076	Acc Amort CIAC - Residential	-	-	-	-	-	0.00%	
158	272077	Acc Amort CIAC - Concession CIAC ETS/DPS - SC	-	-	-	-	-	0.00%	
159	272078	Acc Amort CIAC - BC Hydro Grant	-	-	-	-	-	0.00%	
160	272079	Acc Amort CIAC - Land	-	-	-	-	-	0.00%	
161		Total Acc Amortization CIAC - Water	419,926.70	(7,782.75)	412,143.95	7,782.75	419,926.70		
162		Net CIAC- Water (Line 161 plus Line 81)	(619,520)	(6,422)	(625,942)	6,422	(619,520)		

Attrition Period: August 31, 2024

<u>Customers</u>	<u>Usage</u>	<u>Base Charge</u>	<u>Usage Charge</u>	<u>Base Revenue</u>	<u>Usage Revenue</u>	<u>Total Revenue</u>
36	-	37.31	19.08	1,343	-	1,343
						\$ 579,807

Tennessee Water Service, Inc.

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Annual Review Filing

Historic Period: December 31, 2022

Attrition Period: August 31, 2024

Exhibit 2

Schedule B-2

Bill Comparisons at Present Rates and Proposed Rates

Usage, 000 Gallons	Present Rates	Present Rates, Proposed Structure	Difference	Percent Difference	Proposed Rates and Structure	Difference	Percent Difference
0	\$ 50.00	\$ 50.00	\$ -	0.00%	\$ 52.11	\$ 2.11	4.22%
1	50.00	50.00	-	0.00%	52.11	2.11	4.22%
2	64.95	50.00	(14.95)	-23.02%	52.11	(12.84)	-25.68%
3	79.90	68.31	(11.59)	-14.51%	71.19	(8.71)	-12.75%
4	94.85	86.62	(8.23)	-8.68%	90.27	(4.58)	-5.28%
5	109.80	104.93	(4.87)	-4.44%	109.36	(0.44)	-0.42%
6	124.75	123.24	(1.51)	-1.21%	128.44	3.69	2.99%
7	139.70	141.55	1.85	1.32%	147.52	7.82	5.52%
8	154.65	159.86	5.21	3.37%	166.60	11.95	7.48%
9	169.60	178.17	8.57	5.05%	185.69	16.09	9.03%
10	184.55	196.48	11.93	6.46%	204.77	20.22	10.29%
15	259.30	288.03	28.73	11.08%	300.18	40.88	14.19%
20	334.05	379.58	45.53	13.63%	395.59	61.54	16.21%
25	408.80	471.13	62.33	15.25%	491.00	82.20	17.45%
30	483.55	562.68	79.13	16.36%	586.41	102.86	18.28%
35	558.30	654.23	95.93	17.18%	681.83	123.53	18.88%
40	633.05	745.78	112.73	17.81%	777.24	144.19	19.33%
45	707.80	837.33	129.53	18.30%	872.65	164.85	19.69%
50	782.55	928.88	146.33	18.70%	968.06	185.51	19.97%

Fire Rates

Multi-Use Connection	\$ 35.80	\$ 35.80	\$ -	0.00%	\$ 37.31	\$ 1.51	4.22%
Fire Only Connection	\$ 71.60	\$ 71.60	\$ -	0.00%	\$ 74.62	\$ 3.02	4.22%

Tennessee Water Service, Inc.
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Exhibit 2
Schedule B-3

Non-Revenue Water Rate

Line No.	Year	Total Purchased Water, TG	Total Well Water, TG	Total Water Supplied, TG - B + C	Total Metered Consumption, TG	NRW Rate - (D - E) / D
	[A]	[B]	[C]	[D]	[E]	[F]
1	2020	6,983	12,100	19,083	13,532	41.02%
2	2021	11,279	10,875	22,154	18,525	19.59%
3	2022	12,042	9,895	21,937	21,524	1.92%
4	Aggregate (Line 1 + Line 2 + Line 3)	30,304	32,870	63,174	53,581	17.90%
5	NRW Threshold					20.00%
6	Variance (Line 4 - Line 5)					-2.10%
7	Purchased Water Ratio (Line 4, B / D)					47.97%
8	Well Water Ratio (Line 4, C / D)					52.03%
9	Ratio for Purchased Power Expense: (1 + Line 5) / (1 + Line 4), Note 1					101.78%
10	Ratio for Purchased Water Expense: (1 + (Line 5 * Line 7)) / (1 + (Line 4 * Line 7)), Note 1					100.93%
11	Ratio for Chemicals Expense (1 + (Line 5 * Line 8)) / (1 + (Line 4 * Line 8)), Note 1					101.00%

Note 1 - If Line 6 is positive, Attrition Period values of the identified expenses will be multiplied by the ratio in Lines 9, 10, and 11 to adjust Attrition Period calculated result.

Tennessee Water Service, Inc.
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Exhibit 2
Schedule A

Rate Base and Rate of Return

Line No.	Description		Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Attrition Period Under Present Rates	Proposed Increase/ (Decrease)	Period Under Proposed Rates
			[A]	[B]	[C]	[D]	[E]	[F]	[G]
1	Net Operating Income		145,099	(6,791)	138,308	(11,049)	127,258	17,546	144,804
2	Gross Plant In Service	A-1	3,046,374	(48,246)	2,998,127	48,246	3,046,374		3,046,374
3	Accumulated Depreciation	A-2	(454,540)	16,072	(438,468)	(16,072)	(454,540)		(454,540)
4	Net Plant In Service		2,591,834	(32,175)	2,559,659	32,175	2,591,834	-	2,591,834
5	Cash Working Capital	A-3	27,029	-	27,029	9,198	36,227		36,227
6	Contributions In Aid of Constructi	A-6	(619,520)	(6,422)	(625,942)	6,422	(619,520)		(619,520)
7	Accumulated Deferred Income Taxes		(49,877)	5,024	(44,853)	(5,024)	(49,877)		(49,877)
8	Non-Current Asset		8,395	(8,395)	-	8,395	8,395		8,395
9	Excess Deferred Taxes	A-5	(67,764)	(1,365)	(69,128)	2,961	(66,168)		(66,168)
10	Deferred Charges	A-4	346,286	23,645	369,932	(48,572)	321,359		321,359
11	Regulatory Liability	A-5	(364,903)	(2,886)	(367,789)	9,171	(358,619)		(358,619)
12	Total Rate Base		1,871,481	(22,572)	1,848,908	14,724	1,863,633	-	1,863,633
13	Return on Rate Base		7.75%		7.48%		6.83%		7.77%

Income Statement

Line No.	Description		Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Attrition Period Under Present Rates	Proposed Increase/ (Decrease)	Attrition Period Under Proposed Rates
			[A]	[B]	[C]	[D]	[E]	[F]	[G]
1	Operating Revenues								
2	Service Revenues - Water	B-1	474,590.70	-	474,590.70	81,730.30	556,321.00	23,465.58	579,786.58
3	Service Revenues - Sewer		-	-	-	-	-	-	-
4	Miscellaneous Revenues		4,012.21	-	4,012.21	4,206.32	8,218.53	346.66	8,565.19
5	Uncollectible Accounts		(999.74)	-	(999.74)	(289.49)	(1,289.23)	(58.39)	(1,347.62)
6	Total Operating Revenues		477,603.17	-	477,603.17	85,647.13	563,250.30	23,753.85	587,004.15
7	Maintenance Expenses								
8	Salaries and Wages		-	-	-	-	-	-	-
9	Purchased Power		12,908.33	-	12,908.33	3,725.05	16,633.38	-	16,633.38
10	Purchased Water / Sewer		64,111.84	-	64,111.84	8,308.19	72,420.03	-	72,420.03
11	Maintenance and Repair		31,921.97	-	31,921.97	62,440.02	94,361.99	-	94,361.99
12	Maintenance Testing		3,574.66	-	3,574.66	(201.09)	3,373.57	-	3,373.57
13	Meter Reading		-	-	-	-	-	-	-
14	Chemicals		403.24	-	403.24	2,774.60	3,177.84	-	3,177.84
15	Transportation		1.35	-	1.35	(9.11)	(7.76)	-	(7.76)
16	Operating Exp. Charged to Plant		(7,154.99)	-	(7,154.99)	-	(7,154.99)	-	(7,154.99)
17	Outside Services - Other		87,642.49	-	87,642.49	(22,472.73)	65,169.76	-	65,169.76
18	Total		193,408.89	-	193,408.89	54,564.93	247,973.82	-	247,973.82
19	General Expenses								
20	Salaries and Wages		12,590.16	-	12,590.16	-	12,590.16	-	12,590.16
21	Office Supplies & Other Office Exp.		2,350.70	-	2,350.70	2,483.66	4,834.36	-	4,834.36
22	Regulatory Commission Exp.	A-4	20,637.60	-	20,637.60	11,666.67	32,304.27	-	32,304.27
23	Pension & Other Benefits		782.39	-	782.39	2,188.77	2,971.16	-	2,971.16
24	Rent		2,186.00	-	2,186.00	854.60	3,040.60	-	3,040.60
25	Insurance		7,927.48	-	7,927.48	(210.78)	7,716.70	-	7,716.70
26	Office Utilities		2,684.37	-	2,684.37	(102.97)	2,581.40	-	2,581.40
27	Miscellaneous		36,111.20	-	36,111.20	(5,102.99)	31,008.21	-	31,008.21
28	Total		85,269.90	-	85,269.90	11,776.97	97,046.87	-	97,046.87
29	Annual True-Up Rate Adjustmer	C	-	-	-	7,436.21	7,436.21	-	7,436.21
30	Depreciation	A-1	44,111.52	-	44,111.52	11,430.19	55,541.71	-	55,541.71
31	Amortization of PAA		-	-	-	-	-	-	-
32	Payroll Taxes		684.20	-	684.20	-	684.20	-	684.20
33	Franchise Tax		4,752.00	-	4,752.00	2,057.89	6,809.89	-	6,809.89
34	Gross Receipts Tax		231.87	-	231.87	(6.40)	225.47	-	225.47
35	Property Taxes		(5,794.32)	-	(5,794.32)	13,046.48	7,252.16	-	7,252.16
36	Special Assessments		(126.08)	-	(126.08)	-	(126.08)	-	(126.08)
37	Utility/Commission Tax		1,917.14	-	1,917.14	455.42	2,372.56	-	2,372.56
38	Other General Taxes		-	-	-	-	-	-	-
39	Income Taxes - Federal	D	16,239.11	6,276.22	22,515.33	(3,035.81)	19,479.52	4,664.07	24,143.59
40	Income Taxes - State	D	7,426.00	515.17	7,941.17	(1,004.98)	6,936.19	1,544.00	8,480.19
41	Amortization of ITC		(49.00)	-	(49.00)	-	(49.00)	-	(49.00)
42	Amortization of CIAC	A-6	(15,567.33)	-	(15,567.33)	(24.37)	(15,591.70)	-	(15,591.70)
43	Total		53,825.11	6,791.39	60,616.50	30,354.63	90,971.13	6,208.07	97,179.20
44	Total Operating Expenses		332,503.90	6,791.39	339,295.29	96,696.52	435,991.82	6,208.07	442,199.88
45	Net Operating Income		145,099.27	(6,791.39)	138,307.88	(11,049.39)	127,258.49	17,545.78	144,804.27

Tennessee Water Service, Inc.

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Annual Review Filing

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Exhibit 2

Schedule C

Annual True Up Rate Adjustment and Attrition Period Rate Reset

Line No.	Description	Reference	Annual True-Up Rate Adjustment	Attrition Period Rate Reset	Comments
			[A]	[B]	[C]
1	Historic/Attrition Period Operating Income:				
2	Total Present Rate Operating Revenues	B	477,603	563,250	L6
3	Less Deductions:				
4	Operations and Maintenance Expenses	B	278,679	345,021	L18 + L28
5	Depreciation and Amortization	B	28,495	39,901	L30 + L31 + L41 + L42
6	Taxes Other than Income	B	1,665	17,218	L32 to L38
7	Annual True-Up Rate Adjustment	B		7,436	Column [A], L19
8	Income Taxes	B	30,457	26,416	L39 + L40
9	Total Deductions		339,295	435,992	
10	Historic/ Attrition Period Operating Income		138,308	127,258	
	Excess or Deficiency Calculation:				
11	Rate Base	A	1,848,908	1,863,633	L12
12	Rate of Return	F	7.77%	7.77%	L10
13	Operating Income Requirement		143,660	144,804	
14	Less: Historic/ Attrition Period Operating Income		138,308	127,258	
15	Earnings (Excess) or Deficiency		5,352	17,546	
16	Revenue Conversion Factor	E	1.337392	1.337392	L20
17	Gross Revenue (Excess) or Deficiency		7,158	23,466	
18	Carrying Charge - Rate of Return / 2	F	3.89%		L10, divided by 2
19	Annual True-Up Rate Adjustment		7,436		

Tennessee Water Service, Inc.
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Exhibit 2
Schedule D

Income Taxes

Line No.	Description	Historic Period As Adjusted	Attrition Period Under Present Rates	Proposed Increase/ (Decrease)	Attrition Period Under Proposed Rates
		[A]	[B]	[C]	[D]
1	Operating Revenues	477,603	563,250	23,754	587,004
2					
3	Operating Deductions:				
4	Maintenance expenses	193,409	247,974		247,974
5	General expenses	85,270	97,047		97,047
6	Depreciation expense	44,112	55,542		55,542
7	Annual True-Up Rate Adjustment	-	7,436		7,436
8	TOII	1,665	17,218		17,218
9	Amortization of ITC	(49)	(49)		(49)
10	Amortization of CIAC	(15,567)	(15,592)		(15,592)
11	Interest expense	46,592	46,964		46,964
12	Total Operating Deductions	355,431	456,540	-	456,540
13	State Taxable Income (Line 1 minus Line 12)	122,172	106,711	23,754	130,465
14	State Excise Tax (Line 13 multiplied by 6.5%)	7,941	6,936	1,544	8,480
15	Federal Taxable Income (Line 13 minus Line 14)	114,231	99,774	22,210	121,984
16	Federal Income Tax Calculation (Line 17 multiplied by 21%)	23,988	20,953	4,664	25,617
17	EDIT Amortization	(1,473)	(1,473)		(1,473)
18	Total Federal Income Tax (Line 16 plus Line 17)	22,515	19,480	4,664	24,144
19	Net Amount (Line 15 minus Line 18)	91,715	80,295	17,546	97,841
20	Add: Interest Expense	46,592	46,964	-	46,964
21	Operating Income for Return (Line 19 plus Line 20)	138,308	127,258	17,546	144,804

Tennessee Water Service, Inc.

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Annual Review Filing

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Exhibit 2

Schedule E

Capital Structure and Retention Factor

Line No.	Item	Capital Structure	Cost Rates	Retention Factor	Revenue Effect
		[A]	[B]	[C]	[D]
	<u>Rate Base Factor</u>				
1	Debt	50.00%	5.04%	1.012285	0.024894
2	Equity	50.00%	10.50%	0.747724	0.070213
3	Total	<u>100.00%</u>			<u>0.095107</u>
4					
5					
6					
7					
8					
9		Factors		Attrition Period	
10		<u>[E]</u>		Rate Reset	
11	<u>Retention Factor:</u>			Revenue Change	
12	Total revenue	1.000000		23,466	
13	Forfeited Discounts	(0.014773)		(347)	
14	Revenue Factor (L12 - L13)	<u>1.014773</u>		<u>23,812</u>	
15	Bad Debt (L14 * 0.2452%)	<u>0.002488</u>		<u>58</u>	
16	Balance (L14 - L15)	<u>1.012285</u>		<u>23,754</u>	
17	State excise tax (L16 x 6.5%)	<u>0.065799</u>		<u>1,544</u>	
18	Balance (L16 - L17)	<u>0.946486</u>		<u>22,210</u>	
19	Federal income tax (L18 x 21%)	<u>0.198762</u>		<u>4,664</u>	
20	Retention Ratio (L18 - L19)	<u>0.747724</u>		<u>17,546</u>	
21					
22	Retention Factor (1 / L20)	1.337392			

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Exhibit 2
Schedule F

Rate of Return

Line No.	Description	Capitalization Ratio	Rate Base	Embedded Cost	Overall Cost Rate	Operating Income
		(a)	(b)	(c)	(d)	(e)
1	<u>Historic Period as Adjusted:</u>					
2	Debt	50.00%	924,454	5.04%	2.52%	\$46,596
3	Equity	50.00%	924,454	9.92%	4.96%	\$91,712
4	Total	100.00%	\$1,848,908		7.48%	\$138,308
	<u>Attrition Period Under Present Rates:</u>					
5	Debt	50.00%	931,816	5.04%	2.52%	\$46,964
6	Equity	50.00%	931,817	8.62%	4.31%	\$80,295
7	Total	100.00%	\$1,863,633		6.83%	\$127,258
	<u>Attrition Period Under Proposed Rates:</u>					
8	Debt	50.00%	931,816	5.04%	2.52%	\$46,964
9	Equity	50.00%	931,817	10.50%	5.25%	\$97,841
10	Total	100.00%	\$1,863,633		7.77%	\$144,804

TENNESSEE WATER SERVICE

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Applies to Chalet Village North

Annual Review Mechanism ("ARM")

Section I. PROCESS

This Annual Review Mechanism ("ARM") is implemented under the provisions of Tennessee Code Annotated Section 65-5-103(d) (6), which authorizes the Company to opt for an annual review of the Company's rates. Pursuant to this ARM and the annual filings described below, the Company's tariff rates shall be adjusted to provide that the Company earns the Authorized Return on Equity. The rate adjustments implemented under this mechanism shall reflect changes in the Company's revenues, cost of service, and rate base. The ARM may be terminated or modified as provided under Tennessee Code Annotated 65-5-103(d) (6) (D).

The Company's proposed ARM shall incorporate an historical base year review of its revenues, expenses, investments (rate base), and rate of return components to determine if the Company earned the authorized return on equity adopted in the most recent rate case. If the Company earned more than the authorized return on equity, the earnings excess (grossed up to determine excess revenues) shall be deferred in a regulatory liability and rates shall be reduced for this amount prospectively. If the Company earned less than its authorized return on equity, the Company shall defer expenses to a regulatory asset and rates shall be increased for this amount prospectively. Under both scenarios, the Company is proposing that any carrying charges be computed and accrued for on the simple average of the deferred balance. The simple average shall be determined based on the final year end deferred balance, assuming the balance accrued evenly throughout the year. The average balance shall then be multiplied by the authorized rate of return per the Company's 2019 Rate Case Final Order in Docket No. 19-00028 ("Rate Order").

In addition to the review of the annual earnings deficiency or excess, rates shall be adjusted prospectively based on an adjusted historic base period ("Attrition Period") so that the Company may earn its authorized return in the future, as well as include the recovery or refund of the deferred balance reflecting any earnings deficiency or excess.

The annual earnings deficiency or excess review and Rate Reset shall occur in one filing, made on or before April 30th of each year. The historic base period for the ARM filing shall align with the Company's most recent fiscal year end, December 31. In summary, there shall be one annual filing that shall include the determination of the earning deficiency or excess, based on a reconciliation of the historic base period, and the Rate Reset, based on an adjusted cost of service for the historic base period. Per TCA 65-5-103(d)(1)(B), the Commission shall make a final determination on the filing no later than 120 days from the initial filing. Therefore, the final determination shall be issued by August 28th, and adjusted rates shall go into effect on September 1st.

Finally, the methodologies detailed below have been ordered and are numbered consistent with the applicable corresponding sections and page numbers in the Rate Case Order. Based on the Commission's rationale and discussions of the methodologies adopted in the Rate Order, the Company has determined that its proposed adjustment methodologies would be a reasonable basis for its ARM.

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Annual Review Mechanism ("ARM")

Section II. METHODOLOGIES

The below methodologies shall be utilized for determining the appropriate revenue requirement components for both the Attrition Period Rate Reset and the Historic Period Excess or Deficiency Calculation. For the Attrition Period, the Company may adjust certain expenses to reflect annualization of new or changed circumstances (e.g., a new rent expense due to an office move or new office being added).

A. Attrition Period

Defined as the year in which adjusted rates shall be in effect – September 1st to August 31st.

B. Historic Period

Defined as the most recently completed fiscal year ended December 31st as of the time of ARM filing.

C. Water Revenues

For the Attrition Period Rate Reset, the Company shall set its billing determinants based on projecting the average monthly customer counts in the Attrition Period and using the average per customer monthly consumption in the prior three calendar years. These billing determinants shall be applied to the applicable present tariff rates and usage blocks to determine Attrition Period present revenues.

For the Historic Period Excess or Deficiency Calculation, recorded revenues shall be used.

D. Other Revenues

For the Attrition Period Rate Reset, a rate of 1.4773% shall be used for late fees (forfeited discounts) per the Rate Order. For the remainder of Other Revenues, the Company shall use the actual Other Revenues per customer for the prior three calendar years, then multiply this value times the forecasted Attrition Period customer count per the Water Revenues methodology above.

For the Historic Period Excess or Deficiency Calculation, actual Other Revenues shall be used.

E. Expenses: Salaries and Wages

For the Attrition Period Rate Reset and the Historic Period Excess or Deficiency Calculation, the Company shall use the actual Salaries and Wages and capitalized labor as booked in the Historic Period.

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Annual Review Mechanism ("ARM")

F. Expenses: Purchased Power, Maintenance Testing, Transportation, Office Supplies, Benefits, Insurance, Maintenance and Repair, Chemicals, Office Utilities, Outside Services, Rent, and Miscellaneous, Purchased Water, Bad Debt

For the Attrition Period Rate Reset in these expense line items, the Company shall use the actual expenses per customer for the prior three calendar years, then multiply this amount times the CPI Index – Water & Sewerage Maintenance value for the end of the Historic Period, compounded by 20 months (midpoint of the Historic Period through midpoint of the Attrition Period). Then, this value is multiplied by the forecasted Attrition Period customer count per the Water Revenues methodology above.

For the Historic Period Excess or Deficiency Calculation, actual expenses for these line items shall be used.

G. Expenses: Non-Revenue Water

The Company shall supply a Non-Revenue Water ("NRW") rate for the Attrition Period Rate Reset in Schedule B-3. The NRW rate is computed by subtracting Total Metered Consumption from Total Water Supplied, and dividing the resulting difference by Total Water Supplied. These inputs shall be derived from the aggregation of the Company's prior three calendar year Annual Reports to the Commission.

If the NRW rate is above 20%, the Company shall proportionately adjust the following expenses: Purchased Water Expense, Chemicals Expense, and Purchased Power Expense.

- The proportional adjustment for Purchased Power Expense shall be computed by dividing one plus the 20% threshold by one plus the aggregate NRW Rate for the prior three calendar years, with the resulting ratio then multiplied by the Attrition Period Rate Reset amount calculated per the methodology in Paragraph F above.

- A Purchased Water Ratio shall be calculated by dividing the total purchased water in aggregate for the prior three calendar years by the Total Water Supplied. The proportional adjustment for Purchased Water Expense shall be computed by dividing one plus the product of the 20% threshold and the Purchased Water Ratio by one plus the product of the aggregate NRW Rate for the prior three calendar years and the Purchased Water Ratio, with the resulting ratio then multiplied by the Attrition Period Rate Reset amount calculated per the methodology in Paragraph F above.

- A Well Water Ratio shall be calculated by dividing the total well water in aggregate for the prior three calendar years by the Total Water Supplied. The proportional adjustment for Chemicals Expense shall be computed by dividing one plus the product of the 20% threshold and the Well Water Ratio by one plus the product of the aggregate NRW Rate for the prior three calendar years and the Well Water Ratio, with the resulting ratio then multiplied by the Attrition Period Rate Reset amount calculated per the methodology in Paragraph F above.

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Annual Review Mechanism ("ARM")

H. Depreciation Expense and CIAC Amortization Expense

For the Attrition Period Rate Reset, the Company shall use the authorized depreciation and CIAC amortization rates as applicable to utility plant balances as of the end of the Historic Period.

For the Historic Period Excess or Deficiency Calculation, actual expenses for these line items shall be used.

I. Amortization of Investment Tax Credits, Excess Deferred Income Taxes, Regulatory Liabilities and Regulatory Assets

For the Attrition Period Rate Reset, the Company shall use the authorized amortization life applied to the authorized balances per the Rate Order. Should the amortization conclude during an Attrition Period, the Company shall reflect only the amount relevant for that Attrition Period in the Rate Reset calculation (i.e., not an annualized level).

For the Historic Period Excess or Deficiency Calculation, actual amortization for these line items shall be used. The Company shall expense the costs related to the processing of the annual ARM filing, and therefore recover such costs as part of the Excess or Deficiency Calculation in the normal course of the ARM process. The costs if this initial ARM filing shall be deferred and recovered over three ARM years.

J. Taxes Other than Income: Payroll Taxes, Real Estate Tax

For the Attrition Period Rate Reset and the Historic Period Excess or Deficiency Calculation, the Company shall use the actual Payroll Taxes as booked in the Historic Period.

K. Taxes Other than Income: Franchise Tax, Gross Receipts Tax, Property Tax

For the Attrition Period Rate Reset in these tax line items, the Company shall use the actual expenses per customer for the prior three calendar years, then multiply this amount times the CPI Index – Water & Sewerage Maintenance value for the end of the Historic Period, compounded by 20 months (midpoint of the Historic Period through midpoint of the Attrition Period). Then, this value is multiplied by the forecasted Attrition Period customer count per the Water Revenues methodology above.

For the Historic Period Excess or Deficiency Calculation, actual expenses for these line items shall be used.

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Annual Review Mechanism ("ARM")

L. Inspection Fees

For the Attrition Period Rate Reset, the Company shall use a level based on the Attrition Period's gross receipts, less Bad Debt Expense.

For the Historic Period Excess or Deficiency Calculation, actual Inspection Fees shall be used.

M. State Excise and Federal Income Taxes

For the Attrition Period Rate Reset, the Company shall use the applicable statutory rates.

For the Historic Period Excess or Deficiency Calculation, the statutory State Excise and Federal Income Tax rates as of the end of the Historic Period shall be used.

N. Utility Plant in Service, Accumulated Depreciation, CIAC, Accumulated Amortization of CIAC, Accumulated Deferred Income Taxes

For the Attrition Period Rate Reset, the Company shall use the balances for these line items as of the end of the Historic Period.

For the Historic Period Excess or Deficiency Calculation, the Company shall use the 13-month average (December to December) of the balances for these line items.

O. Cash Working Capital

For both the Attrition Period Rate Reset and Historic Period Excess or Deficiency Calculation, the Company shall use the applicable Period's total Operation and Maintenance Expenses and Taxes Other than Income, less Purchased Water, multiplied by 1/8th.

P. Deferred Operating Losses, Deferred Return on Incremental Plant Investment, Deferred Rate Case Costs, Regulatory Liability – Uninsured Property, Excess Deferred Income Taxes

For both the Attrition Period Rate Reset and Historic Period Excess or Deficiency Calculation, the Company shall use the applicable Period's 13-month average (December to December for Historic Period, September to August for Attrition Period) of the unamortized balances for these line items.

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Q. Revenue Conversion Factor

For both the Attrition Period Rate Reset and Historic Period Excess or Deficiency Calculation, the Company shall use the approved conversion factor of 1.337392 per the Rate Order, adjusted as needed for any changes per the above methodologies. The excise and federal income tax components are subject to change to reflect the then-current rate.

R. Rate of Return

For both the Attrition Period Rate Reset and Historic Period Excess or Deficiency Calculation, the Company shall use the approved 50%/50% debt/equity ratio, 5.04% cost of debt, and 10.50% return on equity per the Rate Order.

S. Other Adjustments

Consistent with Commission Rules, costs not generally allowed for rate recovery shall be removed or excluded from both the Historic Period and Attrition Period. Removals and exclusions include, but are not limited to, the following categories: Advertising, Lobbying, Charitable Contributions, and Fines & Penalties. Any material one-time, non-recurring items impacting income or costs may be identified and adjusted for by the Company for either the Historic Period or Attrition Period.

T. New Matters

New Matters refers to any issue, adjustment, and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the Commission regarding the Company. The Company may reflect, for the Attrition Period, amortization expense and unamortized balances for new deferral amounts incurred since the Rate Order or for deferral amounts not yet authorized for amortization. The Attrition Period shall also reflect any other relevant changes since the Rate Order in GAAP or other regulatory pronouncements or tax law changes. The Company may include and present studies or other evidence supporting other necessary changes since the Rate Order, such as depreciation studies.

U. Rate Design and Tariff Changes

The Company may propose adjustments to the then-current rate design, miscellaneous terms, tariff language or provisions.

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V. Excess or Deficiency Deferral

The Company shall defer any revenue excess or deficiency incurred in the Historic Period. The Company shall recover/credit over the Attrition Period any revenue deficiency/excess deferred. The deferral shall accrue carrying charges at the authorized rate of return of 7.77% per the Rate Order. Carrying charges shall be calculated based on a simple average of the starting and ending balance of the Historic Period.

W. Additional Alternative Rate Mechanisms

Authorization of the ARM process does not preclude the Company requesting or being approved to implement additional alternative rate mechanisms, as allowed pursuant to T.C.A. § 65-5-103(d).

X. Affidavit Certifying Filing

The Company shall include with its annual filings an affidavit signed by an officer of the Company, certifying that the information included within the filing is accurate and complete.

Y. Cost Allocation Manual

The Company shall include with its annual filings the most current iteration of its Cost Allocation Manual ("CAM"), which details the allocation methodologies for affiliate costs supporting operating companies such as TWS. The CAM shall be consistent with the terms of the active Affiliate interest Agreement for TWS.

Section III. DEFINED TERMS

A. Excess or Deficiency Calculation

The Company shall calculate, based on the methodologies described above, any excess earnings or deficiency for the Historic Period. The excess earnings or deficiency shall be based on the comparison of the earned return on equity and the authorized 10.50%. This amount shall be used to calculate the Annual True-Up Rate Adjustment.

B. Annual True-Up Rate Adjustment

Defined as the revenue adjustment necessary to allow the Company to recover from or credit to customers the Historic Period deficiency or excess earnings. The Excess or Deficiency Calculation result shall be multiplied by the Revenue Conversion Factor, then shall incorporate any carrying charges, to determine the revenue adjustment required in setting the Attrition Period revenue requirement.

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C. Attrition Period Rate Reset

Defined as the adjustment of rates applicable to the Attrition Period, effective September 1st each year, that reflects the Attrition Period methodologies described above and incorporates the Annual True-Up Rate Adjustment into the revenue requirement.

D. Annual ARM Filing

By April 30th each year, the Company shall file with the Commission the schedules and workpapers that reflect 1) actual Historic Period amounts per its books and records, 2) any adjustments to the Historic Period actuals per the methodologies described above, 3) the Excess Earnings or Deficiency Calculation and resulting Annual True-Up Rate Adjustment, 4) the Attrition Period Rate Reset revenue requirement, inclusive of any recovery/credit from the Annual True-Up Rate Adjustment, calculated per the methodologies described above, 5) proposed tariff rates that support the Attrition Period Rate Reset revenue requirement, and 6) the most current version of the Company's Cost Allocation Manual. The list of schedules to be filed include, but need not be limited to:

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SCHEDULE	NAME
A	Rate Base
B	Income Statement
C	Annual True Up Reconciliation and Attrition Period Rate Reset
D	Income Taxes
E	Capital Structure and Retention Factor
F	Rate of Return
G	Proposed Tariff
H	Current Cost Allocation Manual
I	Affidavit by Officer
A-1	Plant In-Service and Depreciation Expense
A-2	Accumulated Depreciation
A-3	Cash Working Capital
A-4	Deferred Charges, Regulatory Commission Expense and Deferred Maintenance Expense
A-5	Regulatory Liability and EDIT
A-6	CIAC and CIAC Amortization Expense
B-1	Attrition Period Revenues and Rate Design
B-2	Bill Comparisons at Present Rates and Proposed Rates
B-3	Non-Revenue Water Rate

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Month

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Year

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