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October 22, 2024

VIA ELECTRONIC FILING

Hon. David Jones, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

Electronically Filed in TPUC Docket Room on October 22, 2024 at 2:22 p.m.

RE: ***Petition of Tennessee-American Water Company to Modify Tariff, Change and Increase Charges, Fees, and Rates, and for Approval of a General Rate Increase,*** **TPUC Docket No. 24-00032**

Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Rebuttal Testimonies for (1) Heath Brooks; (2) Ann Bulkley; (3) Dominic J. DeGrazia; (4) Grant Evitts; (5) Nicholas Furia; (6) Larry Kennedy; (7) Bob Lane; (8) Robert V. Mustich; (9) Robert Prendergast; (10) Charles Rea; (11) Linda Schlessman; (12) Grady Stout; (13) Harold Walker, III; and (14) John Watkins* in the above-captioned matter.

As required, the original plus four (4) hard copies will follow. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP

Melvin J. Malone

clw
Attachments
cc: Bob Lane, TAWC
Shilina Brown, Consumer Advocate Division
Victoria Glover, Consumer Advocate Division
Phillip Noblett, City of Chattanooga
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BUTLER SNOW LLP

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 24-00032

REBUTTAL TESTIMONY

OF

HAROLD WALKER, III

ON

CASH WORKING CAPITAL

<u>SPONSORING PETITIONER'S EXHBIIT</u>:

TAWC Exhibit HW-1R

REBUTTAL TESTIMONY
HAROLD WALKER, III
ON BEHALF OF
TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 24-00032

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Harold Walker, III. My business address is 1010 Adams Avenue, Audubon, Pennsylvania, 19403.

Q. Are you the same Harold Walker III that previously filed direct testimony in this proceeding?

A. Yes.

II. SCOPE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is twofold. First, it is to explain the reason for, and results of, my updated Lead Lag Study. Second, my rebuttal testimony responds to the testimonies submitted by the Consumer Advocate Division ("Consumer Advocate") of the Office of the Tennessee Attorney General witness David N. Dittemore and the City of Chattanooga ("COC") witness Mark E. Garrett. Specifically, my rebuttal testimony addresses the testimony of these witnesses relating to their assumptions and calculation of the appropriate working capital ("CWC") allowances for inclusion in the in Tennessee-American Water Company's ("TAWC" or the "Company") rate base.

Q. Have you prepared an exhibit presenting the results of your updated Lead LAG Study?

A. Yes. I have prepared TAWC Exhibit HW-1R which contains two updated Schedules identified as Schedule HW-1R and Schedule HW-2R.

III. RESULTS OF THE UPDATED CWC STUDY

Q. What is Schedule HW-2R?

A. Schedule HW-2R is a corrected copy of Schedule HW-2 that was originally contained in the exhibit that accompanied my direct testimony (TAWC Exhibit HW-1).

Q. What is Schedule HW-1R?

A. Schedule HW-1R is a corrected copy of Schedule HW-1 that was originally contained the exhibit that accompanied my direct testimony (TAWC Exhibit HW-1). As described in my direct testimony relating to Schedule HW-1,[1] this updated schedule likewise summarizes TAWC's cash working capital requirements.

Q. Why are you providing the updated schedules identified as Schedule HW-1R and Schedule HW-2R?

A. During discovery, in response to DR No. 1-51, the Company found it had understated other revenues during its determination of the revenue lag. Schedule HW-2R reflects this correction, and as a result the Company revises its original 44.9 revenue lag days to 44.5 lag days. Because of this revision, TAWC updated Schedule HW-1 to accurately show TAWC's revised cash working capital requirement of $4,391,000.

[1] See Harold Walker Direct Testimony, at 7:13-8:2.

IV. REPLY TO THE COC'S and CONSUMER ADVOCATE'S CASH WORKING CAPITAL PROPOSALS

Q. What areas of COC's and the Consumer Advocate's cash working capital proposals will you be addressing in your rebuttal testimony?

A. I will be addressing and explaining why the following adjustments and exclusions proposed by the COC (Garrett) and Consumer Advocate (Dittemore) to cash working capital are incorrect, unnecessary and/or unsupported:

1. The Consumer Advocate's adjustment to the Company's service period **revenue lag days**;
2. The COC's and the Consumer Advocate's adjustment to the Service Company **expense lead days**;
3. The COC's and the Consumer Advocate's adjustment to remove depreciation and amortization, deferred income tax, and net income lead days;
4. The Consumer Advocate's adjustment to the **gross receipts tax expense lead days**;
5. The COC's unexplained adjustment to **payroll tax expense lead days**; and
6. The COC's unexplained exclusion of **various other expense lead days**.

Q. What adjustment did Mr. Garrett make to the Company's service period lag days?

A. Mr. Garrett adjusted the Company's service period revenue lag days from 18.7 days to 15.2 days.

Q. Why did Mr. Garrett adjust the Company's service period revenue lag days?

A. Mr. Garrett adjusted the Company's service period revenue lag days from 18.7 days to 15.2 days based on an incorrect assumption that all customers receive monthly billing.[2] Mr. Garrett's recommendation is based on a theoretical assumption that is provably false based on a review of actual billing files because numerous customers receive quarterly billing according to the October 2023 billing file I reviewed.[3] The weighted average service period revenue lag days, based on dollar days, is 18.7 days due to quarterly billing.[4] Mr. Garrett's service period revenue lag days recommendation should not be adopted because it is based on an incorrect assumption that all customers receive monthly billing.

Q. Please explain Messrs. Dittemore's and Garrett's proposals of adjusting the service Company expense lead days.

A. Mr. Dittemore proposes changing the actual service Company expense lead days to the salaries and wages expense lead days.[5] Mr. Dittemore's proposal increases the actual service Company expense by 15.5 lead days which would change the lead days for service company expense from -5.0 (negative) days to 10.5 days.

Mr. Garrett's proposal is even more extreme than Mr. Dittemore's because he recommends excluding the actual service company expense from the lead lag study altogether.[6]

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[2] See Direct Testimony of Mark E. Garrett, at 14, lines 1-6.
[3] A copy of the billing file I reviewed was provided as TAW_R_CADDR1_051_062524_Attachment in response to DR No. 1-51.
[4] See page 2 of Schedule HW-2 from TAWC Exhibit HW-1.
[5] See Direct Testimony of David N. Dittemore, at 43, lines 4-6.
[6] See Direct Testimony of Mark E. Garrett, page 13, lines 9-16.

Q. Do you agree with Messrs. Dittemore's and Garrett's proposals of adjusting the Service Company expense lead days?

A. No.

Q. Does the Company pay Service Company expense before it receives service?

A. No. Mr. Dittemore incorrectly states, "TAWC is paying for affiliate charges before such charges are actually incurred."[7] Similarly, Mr. Garrett misleadingly states, "the Company's request for a prepayment for affiliate services is inappropriate."[8] In reality, the Company pays service company expense before the midpoint of the service period, not before it receives service. For example, the Service Company's services provided to TAWC in January are paid for in January, February services are paid for in February, so on and so forth.

Messrs. Dittemore's and Garrett's recommended lead days for service company expense substitutes theory for fact and are incorrect. No valid legal or factual basis supports their complaint about when TAWC pays amounts owed to the American Water Works Service Company, Inc. ("Service Company"). Messrs. Dittemore and Garrett do not dispute that amounts were owed. Paying actual amounts owed in a timely manner consistent with the Affiliated Interest Agreement[9] between the Service Company and TAWC does not enable TAWC the ability to earn a profit. Mr. Dittmore's theory that TAWC should have the lead days for Service Company expense increased because the average lead days for non-

[7] See Direct Testimony of David N. Dittemore, at 43, lines 6-7.
[8] See Direct Testimony of Mark E. Garrett, page 13, lines 15-16.
[9] Agreement, dated January 1, 1989, between American Water Works Service Company, Inc. and Tennessee-American Water Company. ("Affiliated Interest Agreement").

affiliates is longer ignores that the circumstances are not parallel. The types of services non-affiliate vendors provide are vastly different.

Q. What type of services does the Service Company provide?

A. The Service Company provides TAWC customer service, water quality testing, innovation and environmental leadership, accounting, communication, engineering, finance, human resources, information technology ("IT"), legal, accounts payable, supply chain, rates and revenue, regulatory, risk management, security, and other services agreed upon. These services are performed by Service Company personnel, most of whom have years of water industry experience. The Service Company's personnel can specialize in their functional areas, provide expert services, and develop a strong understanding of water quality and the business needs of TAWC. The Affiliated Interest Agreement allows TAWC to receive high quality services at a lower cost as compared to the cost of hiring their own full-time staff.

The Service Company exists to provide services to American Water affiliates at cost. The Service Company's billing terms match expenses with the receipt of payments from affiliates, which are the beneficiaries of the services provided. The Service Company makes no profit from the provision of services. A payment of five days before (i.e., -5.0) the mid-point of the service period for the at-cost Service Company bill is a reasonable provision to support cash expenses and payroll incurred on behalf of TAWC by the Service Company. Similar services provided by a private company **include a markup for profit on their services provided**. Therefore, the services provided by the Service Company reduce the cost of the services provided relative to similar services provided by a private company.

Private companies that provide the services provided by the Service Company include a markup for profit on their services provided along with the cost of their other cost of service items, including working capital. Unlike these other venders, the Service Company provides its services at cost. It has no retained earnings and it does not internally generate funds with which to provide working capital to fund the services it provides to TAWC prior to receipt of payment for those services.

Moreover, the lead days for service company expense that I developed (i.e., -5.0) reflects the terms of the Affiliated Interest Agreement filed with the Commission, while Messrs. Dittemore and Garrett proposals disregard the contractual obligations for regulatory purposes. Additionally, Messrs. Dittemore's and Garrett's recommendations represent a clear and arbitrary confiscation of investor-provided capital because the Affiliated Interest Agreement establishes that payment of service company expenses "shall be paid by Water Company within a reasonable time after receipt of bill."[10] Conversely, Mr. Dittemore recommends delaying payment arbitrarily and Mr. Garrett recommends its full removal, both clear contract violations. Since TAWC is bound by a contract submitted to the Commission, they must follow the terms of it and do not have the option of delaying payment as advocated by Mr. Dittemore or ignoring it as suggested by Mr. Garrett. Accordingly, adopting either Messrs. Dittemore's and Garrett's recommendations simply bars TAWC recovery of a prudently incurred cost and would be contrary to the Commission finding in the Company's last rate case.[11]

[10] Affiliated Interest Agreement, section 4.1, page 11.
[11] Order p. 114, TPUC Docket No. 10-00189, (April 27, 2012).

Q. What did Messrs. Dittemore and Garrett propose in regard to depreciation and amortization, deferred income tax, and net income?

A. Messrs. Dittemore and Garrett recommend removing depreciation and amortization, deferred income tax, and net income from the Company's lead-lag study.

Q. Do you agree with Messrs. Dittemore's and Garrett's proposals to remove depreciation and amortization, deferred income tax, and net income from the company's Lead Lag Study?

A. No. Messrs. Dittemore and Garrett proposals to remove depreciation and amortization, deferred income tax, and net income from the Company's lead-lag study because they consider them to be non-cash expense items. The term "non-cash expense" is an accounting term only. It is not a term that has significance from a financial, economic, or regulatory perspective, because something categorized as a "non-cash expense" from an accounting perspective still represents a true expense for a company. Although a company does not write a check to pay "non-cash expense," the CWC only arises due to customers not paying for previous service provided by the Company. When a customer does not pay for the cost of service, it ultimately affects the cash position of the Company – a company does not recover the cost of providing customers services and therefore must finance the cost of providing for uncollected customers' services.

Messrs. Dittemore's and Garrett's testimonies overstates the Company's position because it suggests the Company's CWC requirement is required to finance the <u>entire</u> amount of "non-cash expense" line items, which is not the case. In fact, the Company CWC requirement shows, mathematically, that it is only financing 12.2% (44.5 days ÷ 365 days) of the entire "non-cash expense" line items, given that customers have not yet been billed for and have not yet paid for this portion as evidenced by the existence of a 44.5-day revenue lag based on the lead lag study.

If “non-cash expense” line items are not considered a CWC requirement, then it implies a company would not be impacted if they did not collect that portion of their cost of service comprised of “non-cash expense” line items. Obviously, the collection of the entire cost of service is essential to the operations of a company, otherwise “non-cash expense” items would not be included in the determination of a company’s cost of service.

Depreciation is the return of the Company’s original investment, the cash was expended at the time the property was installed. The depreciation expense is recorded to return the investment in property each month, but the Company does not receive the cash for that return of capital (depreciation expense) until the revenue from the month that expense is recorded is collected. Therefore, there is a CWC requirement associated with depreciation expense equal to the revenue lag days (i.e., 44.5 days).

Depreciation expense is included in a proper lead-lag study to account for the portion (i.e., 12.2%) of depreciation expense that has not been collected or paid for by customers because the Company collects cash associated with depreciation expense from customers in the same way it collects all other revenues—with a revenue lag.

Further, depreciation expense (accumulated depreciation) is subtracted from gross plant when rate base is determined. Therefore, at any point in time, the amount of depreciation expense (accumulated depreciation) that is subtracted when determining rate base is overstated because it is recorded using accrual accounting while the full cash amount of the expense has yet to be collected because, like all other revenues, it is uncollected from customers for 44.5 days.

The same principles just discussed regarding depreciation apply to amortization and deferred income taxes.[12] The reason for including deferred federal income taxes in a proper lead-lag study is to account for the portion (i.e., 12.2%) of deferred federal income tax expense that has not been collected or paid for by customers. Specifically, deferred federal income taxes, or ADIT, are subtracted from net plant in the determination of rate base under the premise that they are "cost free capital" provided by customers **when customers pay their bills**. However, the Company collects cash associated with its deferred tax liability from customers in the same way it collects all other revenues, with a revenue lag of 44.5 days.

Given that the Company's revenues are subject to a revenue lag of 44.5 days, this means that at any point in time, the amount of deferred taxes (ADIT) that is subtracted when determining rate base is overstated because it is recorded using accrual accounting, while the full cash amount (cash accounting) has yet to be collected, because, like all other revenues, it remains uncollected from customers for 44.5 days. Excluding deferred taxes from the CWC calculation ignores the lag between the Company's recorded deferred tax amount and its cash collection of that amount from customers. The situation begs the question: If 12.2% (44.5 days ÷ 365 days) of the deferred federal income tax expense has not yet been provided by customers, then who provided the 12.2% of the deferred federal income tax expense subtracted from net plant when determining rate base? The only

[12] The Commission rejected the removal of depreciation expense and deferred taxes in the Company's last rate case. See Order po. 114-115, TPUC Docket No. 10-00189, (April 27, 2012).

possible answer is that investors provide 12.2% of the deferred federal income tax expense subtracted from net plant when determining rate base, which is the reason for its inclusion in the determination of CWC.

The net income, or return on invested capital, should be included in the CWC determination because operating income is the property of investors when it is earned but, like all other revenues, it is uncollected from customers for 44.5 days.[13] Mathematically, assigning zero lead days to net income in the CWC determination recognizes the portion of the property, 12.2%, that remains uncollected. Unless investors are allowed a return on the uncollected 12.2% of net income through the CWC requirement, they do not have an opportunity to earn a return on this investment.

Q. What did Mr. Garrett propose regarding the gross receipts tax expense lead days?

A. Mr. Garrett recommends increasing the gross receipts tax expense lead days from -157.5 (negative) days to 393.5 days, an increase of 551.0 days.

Q. Do you agree with Mr. Garrett's proposal to adjust the gross receipts tax expense lead days?

A. No. Mr. Garrett incorrectly calculated the gross receipts tax expense lead days. The lead-lag study in this case analyzed the revenues and the associated cost of service during the 12 months which ended on December 31, 2023, to derive the lag (lead) days. The lag (lead) days were then used to develop the pro forma weighted net revenue requirement for the

[13] *Bluefield Water Works v. Public Service Comm'n*, 262 U.S. 679 (1923) ("Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the service of the utility to the public are unjust, unreasonable, and confiscatory, and their enforcement deprives the public utility company of its property, in violation of the Fourteenth Amendment." 262 U. S. at 690).

12-months which ended on December 31, 2025 (i.e., attrition year). Mr. Garrett incorrectly reached out to a future, theoretical payment date of July 31, 2026, or 19 months after the end of the 12-month period that the lead-lag study is based. The gross receipts tax expense is the only expense line item contained in the lead-lag study that Mr. Garrett treated in this fashion.

For a lead-lag study, the two variables determined are revenue lag days and expense lead days. Lag days and lead days are each the sum of the same three components: service, billing, and collection (payment). For gross receipts taxes, Mr. Garrett used the incorrect service, billing, and payment components.

The service component is the period of time the service is provided for, on which payment (collection) is based. An example of a revenue service component is when water service is provided for 30 days, payment is due for those 30 days of water service. Similarly, an example for an expenses service component is when rental service will be provided for the next 30 days, payment is due before the start of those 30 days of rental service.

According to the Tennessee Department of Revenue's *Utilities Gross Receipts Tax Manual*, the gross receipts tax "return for the utilities gross receipts tax is due annually on or before August 1. The tax is imposed on the privilege of doing business during the period beginning with July 1(immediately preceding the August 1 due date) through the next June

30, but it is measured by the taxpayer's total receipts from sales of utilities during its most recent fiscal or calendar year ending before that July 1."[14]

Therefore, the gross receipts tax is not a payment for a service previously provided but is primarily for future services. Moreover, the lead days for gross receipts tax expense that I developed and used in the Company's lead-lag study reflect the correct service, billing, and payment dates and is consistent with the definition provided by the Tennessee Department of Revenue's *Utilities Gross Receipts Tax Manual*.

Q. What did Mr. Dittemore propose as to payroll tax expense lead days?

A. Mr. Dittemore adjusted TAWC's 10.5 lead days for payroll tax expenses to 12.0 lead days.

Q. Did Mr. Dittemore use the correct payroll tax expense lead days?

A. No. Mr. Dittemore used 12.0 lead days when the correct lead days for payroll tax expense is 10.5 days according to my lead-lag study. Mr. Dittemore does not explain why he used 12.0 lead days and there is otherwise no basis for it. The weighted average lead days for payroll tax expense, based on dollar days, is 10.5 days.[15]. Accordingly, the Commission cannot accept Mr. Dittemore's proposal for payroll tax expense lead days.

Q. Do you have any comments regarding Mr. Dittemore's CWC proposal?

A. Yes. Mr. Dittemore excluded four expense line items from his CWC proposal without explanation.[16] Specifically, Mr. Dittemore excluded:

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[14] Tennessee Department of Revenue, *Utilities Gross Receipts Tax Manual*, March 2023, pp. 6-7. https://www.tn.gov/content/dam/tn/revenue/documents/tax_manuals/march-2023/Utilities-Gross-Receipts-Tax.pdf

[15] See Schedule HW-27 from TAWC Exhibit HW-1.

[16] See Consumer Advocate Exhibit, Schedule 6. The four missing operating and maintenance expense line items are not listed without any explanation given.

1. General office expense;
2. Postage, printing and stationary expense;
3. Building maintenance and services expense; and
4. Employee related expense travel & entertainment expense.

Mr. Dittemore does not explain why he excluded the four expense line items listed above and there is no basis for such exclusions. There are no valid reasons for Mr. Dittemore to have excluded general office expense; postage, printing and stationary expense; building maintenance and services expense; and employee related expense travel & entertainment expense. Each of the four operating expense line items are required for TAWC to provide service and should be included in the lead-lag study.[17] Regardless of the reason for their omission, the Commission cannot accept Mr. Dittemore's CWC proposal.

V. CONCLUSION

Q. Please summarize your determination of the working capital requirement shown on schedule HW-1R.

A. The amount of working capital required to finance the recovery of TAWC's cost of service is $4,391,000.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

[17] See Schedule HW-14, Schedule HW-16, Schedule HW-17, and Schedule HW-18, from TAWC Exhibit HW-1, for the weighted average lead days developed for each excluded line item.

Schedule HW-1R

TENNESSEE AMERICAN WATER COMPANY
SUMMARY OF CALCULATION OF CASH WORKING CAPITAL REQUIREMENTS
BASED ON LEAD-LAG STUDY FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023

Line No.	Description	2025 Attrition Year Amount	Days	Weighted Amount
1.	Net Operating Funds:			
2.	Operating Expenses			
3.	Purchased Water	$194,199	37.9	$7,360,127
4.	Fuel And Power	3,062,540	28.0	85,751,113
5.	Chemicals	2,307,000	48.3	111,428,108
6.	Waste Disposal	749,830	65.7	49,263,800
7.	Salaries and Wages	6,934,578	10.5	72,813,069
8.	Pension	619,489	(1.2)	(743,387)
9.	Group Insurance	481,683	10.5	5,057,670
10.	Other Benefits	643,491	9.0	5,791,422
11.	Service Company	8,636,676	(5.0)	(43,183,381)
12.	Contracted Services	966,015	48.5	46,851,728
13.	Building Maintenance and Services	331,843	45.2	14,999,304
14.	Telecommunication Expenses	352,451	21.5	7,577,697
15.	Postage, Printing and Stationary	18,217	17.5	318,798
16.	General Office Expense	195,319	13.9	2,714,934
17.	Employee Related Expense Travel & Entertainment	95,706	47.9	4,584,317
18.	Miscellaneous Expenses	941,207	45.9	43,201,401
19.	Rents	29,979	(234.9)	(7,042,031)
20.	Transportation	428,594	49.1	21,043,965
21.	Customer Accounting	577,105	61.8	35,665,062
22.	Insurance - Other	1,205,504	(59.8)	(72,089,139)
23.	Maintenance - Other	1,691,431	12.1	20,466,321
24.	Depreciation & Amortization	15,659,739	0.0	0
25.	Taxes Other Than Income			
26.	Property Taxes	4,940,912	218.1	1,077,612,907
27.	Utility Tax	286,779	269.0	77,143,551
28.	Payroll Taxes	516,450	10.5	5,422,725
29.	Gross Receipts Tax	1,036,562	(157.5)	(163,258,515)
30.	Franchise Tax	987,762	44.3	43,708,469
31.	Income Taxes			
32.	Current State Taxes	709,442	44.3	31,392,788
33.	Current Federal Taxes	2,345,515	36.5	85,611,290
34.	Deferred Taxes	2,898,398	0.0	0
35.	Utility Net Operating Income			
36.	Long Term Debt Interest	6,102,527	92.8	566,314,506
37.	Short Term Debt Interest	244,101	14.6	3,563,875
38.	Net Income	17,880,405	0.0	0
39.	Net Operating Funds	$84,071,449	25.4	$2,139,342,494
40.	Revenue Lag Days		44.5	
41.	LESS: Net Operating Funds Lead Days		25.4	
42.	Net Lag		19.1	
43.	Average Daily Operating Funds ($84,071,449 ÷ 365 days) =		230,333	
44.	Cash Working Capital Requirement ($230,333 x 19.1 Days) =		4,391,255	
45.	**Use Rounded Cash Working Capital**		**$4,391,000**	

TENNESSEE AMERICAN WATER COMPANY

CALCULATION OF TOTAL REVENUE LAG DAYS

BASED ON LEAD-LAG STUDY FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023

Description	Total Company
Operating Revenues - Water, Sewer, & Other:	
Service Period & Billing Lag Days:	
(From mid-point of service period to A/R Posting Date. See page 2 of this Schedule)	21.4
Collection Lag:	
(Sum of daily accounts receivable balance divided by the sum of daily receipts. See page 3 of this Schedule)	23.1
Total Revenue Lag Days	44.5

TENNESSEE AMERICAN WATER COMPANY

CALCULATION OF SERVICE PERIOD AND BILLING LAG DAYS

Description	Total Company
Weighted Service Lag (October 2023)	$117,308,952
Billing Total (October 2023)	6,257,488
Service Lag Days	18.7
Weighted Billing Lag (October 2023)	17,196,795
Billing Total (October 2023)	6,257,488
Billing Lag Days	2.7
Total Service Period & Billing Lag Days for Monthly Billing	21.4

TENNESSEE AMERICAN WATER COMPANY

CALCULATION OF COLLECTION LAG DAYS

Description	Total Company
Sum of Net Daily Accounts Receivable Balance in a Year	$1,558,085,413
Plus:	
Uncollectibles Deducted From A/R Balance	(382,661)
Sum of Daily Accounts Receivable Balance in Test Year	$1,557,702,752
Beginning Accounts Receivable Balance	$4,143,784
Ending Accounts Receivable Balance	3,875,354
Change in Accounts Receivables for Test Year	($268,430)
The Sum of Daily Revenue For Test Year	$67,267,407
Less	
Change in Accounts Receivables for Test Year	(268,430)
The Sum of Daily Receipts in Test Year	$67,535,837
Sum of Daily Accounts Receivable Balance in Test Year	$1,557,702,752
Divided By the Sum of Daily Receipts in Test Year	67,535,837
Total Service Period Collection Lag	23.1

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 22nd day of October 2024.

Melvin J. Malone