

# SCHEDULE G

TENNESSEE WATER SERVICE, INC.

(Name of Company)

## SCHEDULE OF RATES

FOR

## WATER SERVICE

Applying to the following Territory:

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

Issued: 1 1 2020  
Month Day Year

Effective: 1 1 2020  
Month Day Year

Issued by: Donald Denton  
Name of Officer

President  
Title

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

Applies to: Chalet Village North

## WATER SERVICE

METERED SERVICE

Base Facility Charge per month

0 – 2,000 gallons usage per month

Effective September 1, 2024: \$48.54

All usage over 2,000 Gallons per month

2,001 to 6,000 Gallons: \$16.93 per 1,000 gallons

6,001 to 12,000 Gallons: \$19.98 per 1,000 gallons

Usage over 12,000 Gallons: \$22.88 per 1,000 gallons

DELAYED PAYMENT CHARGE:

An additional charge amounting to ten percent (10%) of net bill will be added to all water bills under the foregoing schedule, if not paid within twenty-one (21) days of the billing date.

NEW ACCOUNT CHARGE:

Each new account shall pay a one-time service fee of \$20 at the time application for service is filed with the Company.

RECONNECTION CHARGE:

If water service cut off by utility for good cause: \$35.00

If water service discontinued at customer's request: \$35.00

(Customers who ask to be reconnected within 9 months of disconnection will be charged the base facility charge for the service period they were disconnected.)

FREQUENCY OF BILLING:

Bills will be rendered monthly in arrears.

NSF CHECK CHARGE:

A charge of \$10 will be applied to customers whose check is returned by the bank due to non-sufficient funds (one charge per check each time it is returned).

Issued: 10 16 2024  
Month Day YearEffective: 9 1 2024  
Month Day YearIssued by: Tiffany Van Horn  
Name of OfficerPresident  
Title#2 N. Wolfscratch Drive, Jasper, GA 30143  
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## PRIVATE FIRE SERVICE

FIXED SERVICE CHARGE

Standby Charge per month	<u>Multi-Use Connection</u>	<u>Fire-Only Connection</u>
Effective September 1, 2024:	\$34.35	\$70.11

All usage will be billed:

Effective September 1, 2024: \$19.98 per 1,000 gallons

DELAYED PAYMENT CHARGE:

An additional charge amounting to ten per cent (10%) of net bill will be added to all water bills under the foregoing schedule, if not paid within twenty-one (21) days of the billing date.

RECONNECTION CHARGE:

If private fire service cut off by utility for good cause: \$35.00

If private fire service discontinued at customer's request: \$35.00

FREQUENCY OF BILLING:

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

NSF CHECK CHARGE:

A charge of \$10 will be applied to customers whose check is returned by the bank due to non-sufficient funds (one charge per check each time it is returned).

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## WATER AND FIRE SERVICE

Contributions in Aid of Construction

The contract with the developer/customer shall contain a notice of these charges and timetable of payment.

For all cash and property contributions provided to the utility a gross-up factor shall be applied in order to recover the corporate federal income taxes associated with those contributions. The Utility will be paid this amount directly before the water system is allowed to start operation.

The formula used to gross up contributed cash and property is as follows:

$\text{Tax Impact} = \text{TR} / (1 - \text{TR}) * (\text{C} + \text{P})$

TR = Marginal tax rate of federal corporate income tax.

C = Dollar amount of charges (cash) paid to the utility as a contribution.

P = Dollar amount of property (plant, land...) conveyed to the utility to be recorded at the original construction cost of the property conveyed to the utility, or a reasonable estimate of the original construction cost if such cost is not reasonably ascertainable.

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## RULES, REGULATIONS AND CONDITIONS OF SERVICE

## Section I. DEFINITIONS

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

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

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

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

## Section II. WATER SERVICE CONNECTIONS

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

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

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

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Name of Officer

CEO  
Title

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Address of Officer

Applies to: Chalet Village North

## RULES, REGULATIONS AND CONDITIONS OF SERVICE

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

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

## Section III. APPLICATIONS FOR SERVICE

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

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

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

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

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## RULES, REGULATIONS AND CONDITIONS OF SERVICE

## Section IV. BILLS AND PAYMENT FOR SERVICES

10. Customers are liable for payment for all water used on the premises or property until notice has been received at the Company's office that the use of water is no longer desired. Customers are liable for all water shown to have passed through the meter whether by use, wastage or leakage.

11. A Customer's bill will not be considered past due unless it remains unpaid subsequent to the due date printed on the bill. The due date will be twenty-one (21) days after the bill is mailed.

12. Bills for metered service shall be rendered either bi-monthly or quarterly unless otherwise specified in the rate schedule then in effect, and shall show the readings of the meter at the beginning and end of the period for which the bill is rendered as well as consumption for the period. Monthly meter reading or billing periods that are less than 25 days or more than 33 days shall have any applicable usage blocks, base facility charge, or fixed service charge prorated based on the actual days in the meter reading or billing period.

13. Bills for water service will be mailed or delivered to the Customer's last address as shown by the records of the Company when due, but failure to receive a bill will not relieve the Customer from the obligation to pay the same. All bills and other accounts must be paid at the office of the Company.

14. In case the meter cannot be read for any cause, the Company will require a payment on account equal to the estimated bill for the period involved.

15. In cases where for any cause the meter cannot be read for a period of two (2) billing periods, the Company will turn off the water upon five (5) days 'written notice (8 days, if mailed) unless the Customer provides access to the meter immediately.

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

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## Section V. RULES GOVERNING SERVICE

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

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

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

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

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

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

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

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

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

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

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

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

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

## Section VI. METERED SERVICE

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

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

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

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

## Section VII. FIRE HYDRANTS

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

## Section VIII. GENERAL CONDITIONS OF SERVICE

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

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

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

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

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

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

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

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## RULES, REGULATIONS AND CONDITIONS OF SERVICE

## Section IX. USE OF WATER FOR SUMMER COMFORT AIR CONDITIONING OR REFRIGERATION

40. In all apparatus or equipment installed for the purpose of changing the dry bulb temperature or humidity content of the air, whether used in conjunction with summer comfort air conditioning or other refrigeration, the following regulations shall apply, unless other arrangements have been approved in advance by the Company.

- (a) The use of water is prohibited when used directly from the mains as a cooling medium in air washers or any type of equipment whereby the air to be conditioned comes into direct contact with sprays or wet surfaces, or where the water is used as the direct or indirect cooling medium in coils.
- (b) The use of water is permitted in all compressor type refrigeration units having standard rated capacities of one and one-half (1-1/2) tons or less.
- (c) All compressor type refrigeration units having standard rated capacities\* of over one and one-half (1-1/2) tons shall be equipped with evaporative coolers and condensers, water cooling towers, spray ponds or other water cooling equipment so that all water from the mains is used for make-up purposes only.
- (d) If other than compressor types of refrigeration units are used, the consumption of water from the mains shall be limited in amount to not more per ton of refrigeration produced than would be used by the compressor type described under (c) above when such type is operated under normal conditions.

41. Failure to comply with the above Rule 40 shall be sufficient cause to discontinue service.

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

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## RULES, REGULATIONS AND CONDITIONS OF SERVICE

## Section X. WATER FOR PRIVATE FIRE PROTECTION AND SPECIAL USES

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

## Section XI. PUBLIC FIRE PROTECTION SERVICE

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

## Section XII. DAMAGE TO COMPANY PROPERTY

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

## Section XIII. CHANGES IN RULES AND REGULATIONS

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

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

## Section XIV. MAIN EXTENSION POLICY

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

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## RULES, REGULATIONS AND CONDITIONS OF SERVICE

## Section XV. CLEAR NOTICE OF RETURNED CHECK FEES

48. The Company shall provide a clear and conspicuous notice of any returned check fee charge and other charges and fees, including the amount of the charge, on its monthly billings to customers.

## Section XVI. ABILITY TO WAIVE FEES

49. The Company shall implement and establish a process to permit waiving all fees associated with late payment including, but not limited to, disconnection, reconnection, and late fees, in special circumstances such as financial distress or for disabled customers, family member of customers or customers with a unique situation.

## Section XVII. PROMPT RECONNECTION

50. The Company shall provide prompt and timely reconnection service for all customers within no more than two (2) days of receiving the first installment payment from the past due customer.

## Section XVIII. ALTERNATE ADDRESS NOTIFICATION

51. The Company shall establish and implement a process to permit and notify customers of the opportunity to provide an alternate address for notification of a potential disconnection. If a customer has provided such an alternate address, the Company shall be required to provide the required notice of disconnection to that address in addition to the customer's primary billing address.

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Cancelling \_\_\_\_\_ Sheet No. \_\_\_\_\_

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## 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 30<sup>th</sup> 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 28<sup>th</sup>, and adjusted rates shall go into effect on September 1<sup>st</sup>.

The Company's rates shall not be increased as a result of the first two ARM filings, made on or before April 30, 2024 and April 30, 2025. If there is an earnings excess resulting from such filings, rates shall be reduced accordingly. However, revenue-neutral rate design changes may be requested.

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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Cancelling \_\_\_\_\_ Sheet No. \_\_\_\_\_

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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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Cancelling \_\_\_\_\_ Sheet No. \_\_\_\_\_

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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 calculate and supply a Non-Revenue Water ("NRW") rate for the Historic Period Excess or Deficiency Calculation and for the Attrition Period Rate Reset in Schedule B-3. The Historic Period NRW rate is calculated on an annual historic basis as follows:

(Historic Period Total Metered Consumption minus Total Water Supplied)

Divided by: Historic Period Total Water Supplied

Non-Revenue Water Rate

Less: 15%

Non-Revenue Water Variance (Over/Under allowable %)

If the Historic Period NRW rate is above 15%, the Company shall adjust Purchased Water, Purchased Power, and Chemical Expenses for the proportion above 15% applicable to each expense. If the Historic Period NRW rate is below 15% for the Historic Period, the actual Purchased Water, Purchased Power, and Chemical Expense incurred in the Historic Period shall be used in the Historic Period Excess or Deficiency Calculation.

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Effective: 1 1 2024  
Month Day Year

Issued by: Tiffany Van Horn  
Name of Officer

President  
Title

#2 Wolfscratch Drive, Jasper, GA 30143  
Address of Officer

Cancelling \_\_\_\_\_ Sheet No. \_\_\_\_\_

Applies to Chalet Village North

## Annual Review Mechanism ("ARM")

## H. Cap on ARM Filing Costs

TWS will limit recovery through the ARM of costs to file and process each annual ARM filing to \$15,000, inclusive of incremental internal costs.

## I. 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.

## J. 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.

## K. 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.

## L. 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")

## 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 1/8<sup>th</sup>.

## 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.

## 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.

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## Annual Review Mechanism ("ARM")

## 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

Any Party to an ARM proceeding 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. Further, there would be no regulatory asset deferrals created as a result of any revenue deficiency produced in the first two ARM filings. 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.

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## Annual Review Mechanism ("ARM")

## 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.

## 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.

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## Annual Review Mechanism ("ARM")

## D. Annual ARM Filing

By April 30<sup>th</sup> 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 include, but need not be limited to:

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## Annual Review Mechanism ("ARM")

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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