



STATE OF TENNESSEE
Utility Management Review Board

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January 6, 2014

The Honorable Bill Haslam
Governor of Tennessee
First Floor, State Capitol
Nashville, TN 37243

Dear Governor Haslam:

The Utility Management Review Board is submitting to you its annual report for 2013.

On behalf of each member of the Board, I would like to extend our continued appreciation to the ladies and gentlemen of the Office of the Comptroller of the Treasury for their valuable contributions to the Board this year. Without their ongoing assistance, the Board would not be as successful.

The goal of the Board is to follow our legislative mandates and to extend our services to the citizens of the State of Tennessee. We appreciate your continued confidence in and support of the Board. If I, or any member of the Board, can be of further assistance to you and your staff, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Ann Butterworth".

Ann Butterworth
Chair

Attachment

Cc: Honorable Justin P. Wilson, Comptroller of the Treasury

1. The first part of the document is a letter from the Secretary of the State to the Governor, dated 10th March 1870. It contains a report on the progress of the work done during the year, and a statement of the accounts for the year ending 31st December 1869.

2. The second part of the document is a report on the progress of the work done during the year, and a statement of the accounts for the year ending 31st December 1869.

3. The third part of the document is a report on the progress of the work done during the year, and a statement of the accounts for the year ending 31st December 1869.

4. The fourth part of the document is a report on the progress of the work done during the year, and a statement of the accounts for the year ending 31st December 1869.

5. The fifth part of the document is a report on the progress of the work done during the year, and a statement of the accounts for the year ending 31st December 1869.

**ANNUAL REPORT
OF THE
UTILITY MANAGEMENT REVIEW BOARD**

January 2013 through December 2013

ANNUAL REPORT FOR CALENDAR YEAR 2013

The 95th General Assembly created the Utility Management Review Board (Board) in 1987. The Board promulgated its rules and began hearing cases in January 1989. In 2007, the administrative support for the Board was transferred from the Department of Environment and Conservation to the Office of the Comptroller of the Treasury. The current rules of the Board became effective on September 27, 2010.

Approximately 174 utility districts operate in the State of Tennessee. Utility districts operate approximately 151 water, 19 wastewater, 24 natural gas and one fire protection systems.

The Division of Local Government Audit, Comptroller of the Treasury, refers utility districts to the Board in accordance with state statutes, either for financial distress or for water loss. Financially distressed utility districts are currently defined as those having deficit total net assets in any one year, having negative change in net assets for a period of two consecutive years, or currently being in default on any debt instrument. Utility districts with a validity score of 65 or less or non-revenue water as a percent by cost of operating system of 30% or greater are referred to the Board.

Staff to the Board reviews the referred utility districts and prepares presentations to the Board. Staff works with the utility districts to develop strategies to comply with state law. After the Board has approved a utility district's plan to achieve compliance, the Board monitors the case to determine if the approved recommended compliance plan is successful. If not, the District must meet with the Board and explain the steps required to resolve the condition.

During the 4 meetings held in 2013, 20 case studies (13 financial distress and 7 water loss), 14 status reports, and 24 compliance reports were presented to the Board.

Since its creation, 168 financially distressed utility districts have appeared before the Board. Currently there are 18 districts under the jurisdiction of the Board for financial distress. There are also 13 additional districts currently being monitored only for excessive water loss.

The Board has the authority to conduct a contested case hearing to determine if a utility district commissioner or commissioners should be removed from office based on petitions filed by 20% of the customers of a utility district. No petitions for removal of commissioners were filed in 2013.

The Board also has the authority to commence commissioner removal procedures based on the information presented in an investigative audit prepared by the Department of Audit. During 2013, two investigative reports were reviewed and removal proceedings were initiated for one group of commissioners. Removal proceedings which began in 2011 against commissioners of one utility district is currently in appeals court. The process will continue into 2014. The Board voted during 2013 not to pursue two cases for removal which had been pending since 2011.

The Board has the authority to review the rates charged by a utility district if a petition is filed by 10% of the customers within the authorized area of the district. In a petition filed during 2012, a hearing held in April 2013 reviewed the rates being charged by the District and determined that the rates were not proven to be excessive. The plaintiffs have filed an appeal, which is currently in Chancery Court. There are two additional rate review cases that were remanded back from the Chancery Court for further review by the Board. One case was withdrawn by the complainant, while the other is still awaiting an order from the Chancery Court.

In 1989, the General Assembly created the Utility Relocation Loan Program (URLP). This legislation was enacted to assist cities and utility districts that require financial assistance to relocate utility lines due to highway construction by the Tennessee Department of Transportation (TDOT). The Board was designated as the agency to recommend loans to the State Funding Board. There was one loan request submitted to the Board during 2013. That request was denied by the Board because the District had paid the expenses from its available cash. Currently there is one outstanding URLP loan with a balance of \$1,573,198. The amount available in the URLP on December 31, 2013 was approximately \$6,755,567. Those funds are held in the Highway Fund under TDOT for accounting purposes.

In 2007 the General Assembly authorized a utility district or water, wastewater or gas authority to adopt its own ethics policy instead of being subject to the relevant county's policy. If a district or authority chooses to adopt the Tennessee Association of Utility Districts (TAUD) model of ethical standards, no additional review is needed. The Board was required to review and approve the TAUD model before the model could be adopted by any utility district or water, wastewater or gas authority. If a district or authority chooses not to adopt the TAUD model, it must adopt a policy which must be determined to be more stringent by the Board. There were no requests to review ethics policies in 2013.

During the 2009 legislative session, the General Assembly revised the statutes to mandate Board approval of the creation of any new utility districts. There was one petition for creation reviewed and approved during 2013.

During the 2010 legislative session, the General Assembly created a utility district training requirement with the approved curriculum being filed with the Board. Four training curricula were filed with the Board during 2013.

**CASES PRESENTED
TO THE
UTILITY MANAGEMENT REVIEW BOARD
DURING 2013**

Utility District

County

Case Studies – Financial distress

Arthur Shawanee Utility District	Claiborne
Bean Station Utility District	Grainger
Bon de Croft Utility District	White
Carderview Utility District	Johnson
Cold Springs Utility District	Johnson
First Utility District of Tipton County	Tipton
Haywood County Utility District	Haywood
Lone Oak Utility District	Sequatchie
Natural Gas Utility District of Hawkins County	Hawkins
Northwest Henry Utility District	Henry
Sneedville Utility District	Hancock
Sylvia-Tennessee City-Pond Utility District	Dickson
Tansi Sewer Utility District	Cumberland

Case Studies – Water loss

Cherokee Hills Utility District	Polk
Clearfork Utility District	Campbell/Claiborne
Mooreburg Utility District	Hawkins
Roan Mountain Utility District	Carter
Samburg Utility District	Obion
Tarpley Shop Utility District	Giles
West Point Utility District	Lawrence

Status Report

Bedford County Utility District	Bedford
Bloomington Utility District	Sullivan
Chuckey Utility District	Greene
Clay Gas Utility District	Clay
Cross Anchor Utility District	Greene
DeWhite Utility District	White
Double Spring Utility District	Putnam
Iron City Utility District	Lawrence
Lone Oak Utility District	Sequatchie
Minor Hill Utility District	Giles
Northeast Henry County Utility District	Henry
Quebeck Walling Utility District	White
Shady Grove Utility District	Jefferson
West Point Utility District	Lawrence

Compliance Reports

Arthur Shawanne Utility District	Claiborne
Bon de Croft Utility District	White
Bristol-Bluff City Utility District	Sullivan
Cedar Grove Utility District	Carroll
Claiborne County Utility District	Claiborne
Clarksburg Utility District	Carroll
Cold Springs Utility District	Johnson
Cookeville Boat Dock Road Utility District	Putnam
DeWhite Utility District	White
Double Springs Utility District	Putnam
Fall River Road Utility District	Lawrence
First Utility District of Hardin County	Hardin
Gibson County Municipal Water District	Gibson
Harbor Utility District	Benton
Jackson County Utility District	Jackson
Leoma Utility District	Lawrence
Quebeck-Walling Utility District	White
Siam Utility District	Carter
South Elizabethton Utility District	Carter
South Giles Utility District	Giles
South Side Utility District	Putnam
Tuckaleechee Utility District	Blount
West Point Utility District	Lawrence
Woodlawn Utility District	Montgomery

Petitions

Ratepayers of DeKalb Utility District vs. DeKalb Utility District	DeKalb
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Complaints

Bent Creek Golf Village vs. Webb Creek Utility District	Sevier
City of Elkton vs. South Giles Utility District	Giles
Goddard vs. West Knox Utility District	Knox
Outdoor Resorts of America vs. Webb Creek Utility District	Sevier
Pheiffer vs. South Giles Utility District	Giles

Investigative Reports

Northeast Henry County Utility District	Henry
Sneedville Utility District	Hancock

Utility Relocation Loan requests

Cookeville Boat Dock Road Utility District	Putnam
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Creation Petition

West Stewart Utility District	Stewart
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Complaints received by staff	63
Directly:	
By telephone	44
By e-mail	4
By mail or Governor's office	2
By fax or Comptroller web	2
From Tennessee Regulatory Authority	11

**UTILITY DISTRICTS
CURRENTLY UNDER THE JURISDICTION OF THE
UTILITY MANAGEMENT REVIEW BOARD**

Bean Station Utility District	Grainger
Bedford County Utility District	Bedford
Bloomington Utility District	Sullivan
Carderview Utility District	Sullivan
Cherokee Hills Utility District	Polk
Chuckey Utility District	Greene
Clay Gas Utility District	Clay
Clearfork Utility District	Campbell/Claiborne
Cross Anchor Utility District	Greene
East Sevier Utility District	Sevier
Hampton Utility District	Carter
Haywood County Utility District	Haywood
Intermont Utility District	Sullivan
Iron City Utility District	Lawrence
Lone Oak Utility District	Sequatchie
Minor Hill Utility District	Giles
Mooresburg Utility District	Hawkins
Natural Gas of Hawkins County	Hawkins
Northeast Henry County Utility District	Henry
Northwest Utility District	Hamilton
Northwest Henry Utility District	Henry
Roan Mountain Utility District	Carter
Samburg Utility District	Obion
Shady Grove Utility District	Jefferson
Sneedville Utility District	Hancock
Sylvia-Tennessee City-Pond Utility District	Dickson
Tansi Sewer Utility District	Cumberland
Tarpley Shop Utility District	Giles
Unicoi Water Utilit District	Unicoi
Webb Creek Utility District	Sevier
West Cumberland Utility District	Cumberland

**COMPTROLLER OF THE TREASURY
STAFF TO THE
UTILITY MANAGEMENT REVIEW BOARD**

Ms. Joyce Welborn
Utilities Board Manager

Ms. Rachel Newton
Assistant General Counsel

