



**Tennessee Board of Utility Regulation  
Special Called Meeting**

**Board Packet**

**10.2.2025**

**South Fork Utility District**

Board staff will summarize the current status of the case against the South Fork Utility District and will provide a recommendation on how the Board should proceed.

**BEFORE THE TENNESSEE BOARD OF UTILITY REGULATION**

<b>IN THE MATTER OF:</b>	)	
	)	
	)	
<b>SOUTH FORK UTILITY DISTRICT</b>	)	<b>TENN. CODE ANN. § 7-82-704</b>
<b>BRISTOL-BLUFF CITY UTILITY DISTRICT</b>	)	
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**ORDER**

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On July 17, 2025, the Tennessee Board of Utility Regulation (“the Board”) reviewed the proposed merger<sup>1</sup> of the South Fork Utility District (“SFUD”) with the Bristol-Bluff City Utility District (“BBCUD”), pursuant to Tenn. Code Ann. § 7-82-704. At the Board’s March 13, 2025 meeting, Board staff reported that SFUD and BBCUD (collectively, “the Utilities”) had attempted to negotiate a merger, pursuant to Tenn. Code Ann. § 10-7-504 and the Board’s previous order but were unable to agree on a number of discrete issues. The Board ordered Board staff to conduct an informal mediation between the Utilities to attempt to resolve the remaining issues. This mediation took place on June 10, 2025.

Two important matters had previously been agreed upon. First, the combined utility will adopt a new name. Second, Adam Hale (who serves as SFUD’s utility manager) will be offered the role of chief executive of the combined utility. At the mediation, Board staff and the Utilities identified the following:

- 1) Concern from BBCUD that SFUD’s commissioners would push the combined utility to merge with the City of Bristol’s utility system;

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<sup>1</sup> The utility which results from the merger of SFUD and BBCUD will be referred to as “the combined utility”.

2) Early in negotiations it was proposed that SFUD's customers would see an immediate 5% rate decrease – it was important to SFUD that this was honored;

3) SFUD desired that a unified rate structure be developed quickly after a merger; and,

4) The Utilities could not agree on the makeup or size of the combined utility's governing body.

At the outset of the informal mediation, both parties noted the need for certainty as to how to proceed – the pending potential merger created uncertainty as to whether certain capital projects were necessary, and how to proceed with certain business decisions. The Utilities ultimately agreed on items 1-3 above, but could not reach an agreement as to the composition of the combined utility's board. Resolutions to all of the above concerns are set forth as part of this order *infra*, including those agreed upon by the parties at the mediation.

### **Authority to Order Merger**

The Board has the authority to order the merger of an ailing utility system with another utility system if the merger is necessary to restore the financial stability of the ailing system, ensure the continued operation of the ailing system, or otherwise ensure the well-being of the public being served by the ailing system. Tenn. Code Ann. § 7-82-704(a). A financially distressed utility system is considered ailing. *Id.*

The statutory criteria for financial distress are set out in Tenn. Code Ann. § 7-82-703(b). There is no express statutory provision to determine when a utility system is not financially distressed. That a utility system has shown a positive change in net position for two years does not, by itself, indicate that it is financially healthy. A utility system is a monopoly, it can create a positive change in net position by raising its rates beyond those that are just and reasonable. That a utility system can do so does not make it financially healthy or stable. For this reason, the

Board retains oversight of a utility system until the utility system is explicitly released. This has been the Board's practice since it was established, and this was the practice of the two boards which merged to create the Board<sup>2</sup>.

SFUD was referred to the Utility Management Review Board for financial distress in 2022, and has not been released. SFUD was first ordered to obtain a study of the feasibility of a merger with a surrounding utility system in 2022. SFUD was financially distressed when merger proceedings began, and the fact that SFUD has delayed a merger since then does not rob the Board of its jurisdiction to order a merger now. SFUD remains under Board supervision for financial distress and thus remains an ailing utility system for purposes of Tenn. Code Ann. § 7-82-704.

It is necessary for SFUD's long-term financial stability to merge with a surrounding utility. As noted above, financial stability entails more than high enough rates to cover expenses. The fact that a merger with BBCUD will result in an immediate 5% rate decrease demonstrates that SFUD's ratepayers are paying for a great deal of infrastructure as-is. Increasing the population that can share the cost of that infrastructure is necessary to ensure SFUD's system is resilient enough to withstand financial shocks.

The merger of SFUD with BBCUD will ensure the financial stability of both SFUD and BBCUD. For all practical purposes, the Utilities share a common infrastructure. Increasing their customer base ensures a larger base to carry the weight of repairs and upgrades to that infrastructure. While the Board believes the merger is necessary to restore SFUD's long-term financial stability, there can be no doubt that the merger will ensure the well-being of both

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<sup>2</sup> Public Chapter 463 merged the Utility Management Review Board and the Water & Wastewater Finance Board to create the Tennessee Board of Utility Regulation.

Utilities' customers by lessening the financial impact of any shocks to the system, by distributing those shocks across a broader base.

As SFUD is an ailing utility system, and a merger is necessary to ensure SFUD's financial stability and to ensure the well-being of SFUD's customers, the Board has jurisdiction to order the merger between SFUD and BBCUD.

### **Unresolved Terms of the Merger**

If the parties to a merger cannot agree on the terms of a merger, the Board has the authority to resolve disagreements in a fair and reasonable manner and order the parties to amend their agreements accordingly. Tenn. Code Ann. § 7-82-704(g)(2)(B).

Here, SFUD and BBCUD have attempted to negotiate a merger, but ultimately cannot agree on the composition and size of the combined utility's governing body. BBCUD insists that a three-member board is necessary to ensure that meetings conclude quickly. SFUD insists that it be represented on the combined utility's board. Five member boards are allowed under Tennessee law, but are not the norm, and are not common for relatively small utility systems. It is reasonable for SFUD to insist on representation on the combined utility, at least until such time as the combined utility has operated in a unified manner for a period of time, such that the combined utility no longer differentiates between SFUD's customers and BBCUD's customers.

After hearing proposals from both utilities and from Board staff, the Board finds it appropriate to order that the resulting utility, initially, have a five-member board. The terms of three board members will end after two years, at which time only one empty seat will be filled. This will result in a three-member board long-term, while allowing a larger pool of representatives initially. More details are set forth *infra*.

Legalities aside, a merger between SFUD and BBCUD is in the best interest of all of their customers. The merger will result in lower rates for all customers than they would see otherwise. Both Utilities will benefit from a larger customer base to bear any financial costs. The Utilities currently operate a single infrastructure, with a bureaucratic roadblock in the middle – eliminating this roadblock would remove unnecessary costs, and allow those savings to be passed on to SFUD's customers.

For all of the above reasons, the Board orders as follows:


- 1) SFUD and BBCUD will draft an agreement to merge their respective utility systems into one combined utility system, subject to the terms herein.
- 2) The combined utility system will adopt a new name, rather than keeping either South Fork Utility District or Bristol-Bluff City Utility District.
- 3) Adam Hale will be offered the chief executive position in the combined utility system.
- 4) For a period of ten years, the combined utility system shall not merge with the City of Bristol's utility system except as follows:
  - (a) The Board must approve of a merger between the combined utility system and the City of Bristol's utility system before such a merger can take place; and,
  - (b) The Board may only approve of a merger between the combined utility system and the City of Bristol's utility system when the combined utility system's governing body unanimously requests that the Board approve the merger.
- 5) On the first bill following the merger between SFUD and BBCUD, SFUD's customers' rates will be lowered by 5%. This reduction in rates will last until such time as the combined utility has completed a cost-of-service study to determine rates for all of the combined utility's customers.

6) The combined utility will begin a cost-of-service study within one year of the date on which the Utilities are merged, in order to determine a rate structure for the combined utility.

7)

- (a) The combined utility's governing body will initially consist of BBCUD's governing body, plus two members of SFUD's governing body, which two members will be chosen by SFUD's governing body.
- (b) The members of the governing body will serve for a term of 2, 3, or 4 years.
- (c) The members drawn from BBCUD's governing body will serve as follows, with BBCUD determining the length of each member's term:
  - (i) Two members will serve a 2-year term;
  - (ii) One member will serve a 4-year term.
- (d) The members chosen by SFUD's governing body will serve as follows, with SFUD determining the length of each member's term:
  - (i) One member will serve a 2-year term;
  - (ii) One member will serve a 3-year term.
- (e) Only one member will be replaced after 2 years, such that the combined utility's governing body consists of three members.

ENTERED on this, the 19 day of August, 2025.

  
Greg Moody, Chair  
Tennessee Board of Utility Regulation



## **South Fork Utility District**

South Fork Utility District (SFUD) has been before the Board since the UMRB era. At the last meeting, Board staff were directed to mediate a merger agreement between SFUD and Bristol Bluff City Utility District (BBCUD), with BBCUD as the surviving entity. Staff reported substantial progress: an immediate 5% rate decrease for SFUD customers at merger; a cost-of-service study to begin within one year to move both sides to a uniform rate structure; retention of SFUD General Manager Adam Hale as manager of the merged system; and a new name to be selected by the merged board. The remaining impasse was board composition: SFUD preferred five commissioners; BBCUD preferred three.

Counsel Eric Recker (SFUD) argued TCA § 7-82-704's forced-merger authority was not triggered because SFUD is no longer "ailing" and has posted multiple years of positive net position (FY2024 audit filed). He asked the Board to allow a voluntary merger and noted SFUD's willingness to bar any transfer to the City of Bristol without a unanimous district vote and TBOUR approval. Counsel Tom Cely (BBCUD) maintained that if terms cannot be agreed, statute preserves the surviving district's current commissioners and emphasized BBCUD's concern—based on prior public comments—that a future transfer to the City of Bristol could create a regional monopoly water supplier. BBCUD also contrasted commissioner compensation (BBCUD: statutory \$250/meeting only; SFUD: includes health-insurance reimbursements totaling about \$31,350/year), supporting a three-member board for efficiency.

### **Board Discussion**

Members focused on customer impact, governance, and finality. Mr. Giles questioned the Board's authority and timelines (audits, rate alignment) and pressed for a clear path to implementation. Mr. Pelham recused (TUA affiliation) and did not participate further. Mr. Stone asked about commissioner benefits and costs; the parties confirmed BBCUD commissioners receive only the statutory stipend, while SFUD also provides health-insurance reimbursements. Mr. Hampton probed the "monopoly" concern; BBCUD clarified it referred to wholesale choices for neighboring utilities, not retail customers. Staff reiterated that both communities' benefit from merger (including the immediate 5% SFUD rate decrease) and recommended resolving the board-makeup impasse. TBOUR Legal Counsel Seth May confirmed the motion could adopt all mediated terms and set board composition/transition.

### **Final Recommendation and Board Action**

The Board approved the merger framework and resolved board composition.

### **Key Terms Adopted**

1. Board composition & transition:
  - At merger: 5-member board — 3 from BBCUD (all current BBCUD commissioners) and 2 from SFUD (chosen by SFUD).

- Stagger to 3 after 2 years: At Year 2, three seats expire (2 BBCUD, 1 SFUD); at Year 3, one SFUD seat expires; at Year 4, one BBCUD seat expires. After Year 2, the board becomes the standard 3-member board appointed by the county mayor.
- 2. Rates: Immediate 5% decrease for SFUD customers at merger; COS study to begin within one year to establish a uniform rate structure.
- 3. Management: Adam Hale to serve as manager of the merged utility.
- 4. Name: The merged board will select a new name.
- 5. Transfer safeguard: 10-year moratorium on any transfer of the merged utility to the City of Bristol; after that, any proposed transfer requires a unanimous vote of the merged district's board and TBOUR approval.

#### Board Action

Mr. Giles moved to adopt the mediated terms above and set the board composition/transition as described and was seconded by Mr. Purkey. Motion carried with one abstention (Mr. Pelham, recused due to TUA service).

**South Fork Utility District Monthly Meeting  
August 14, 2025**

The Commissioners of South Fork Utility District met at the South Fork Utility District office on August 14, 2025, at 4:30pm. The board members present were Josh Barrett, Josh Hayes, Robert Bebber, Daniel Pickel and Jason Webb and the staff present was Adam Hale and Gia Bostic. There were no visitors /guest present.

Josh Barrett called meeting to order.

Josh Hayes made a motion to approve July's minutes, Daniel Pickle seconded, all approved.

Guest / Visitor in attendance acknowledged: None

Adam Hale gave the manager's report that is attached.

The Financials were discussed and went over.

Water Loss was discussed and is attached.

Robert Bebber made a motion to contest the TBOUR order voted on during the 7/17/25 TBOUR meeting, Daniel Pickel seconded, all approved, except Josh Hayes and he voted no.

Josh Barrett made a motion to terminate Adam's employment and no one seconded the motion.

Major leaks and breaks for South Fork and BBCUD were discussed.

Major water breaks for SFUD: 1256 Mt Holston, 1151 Mt Holston, 2595 Hickory Tree Rd, 719 Flatwoods Rd

Major water breaks for BBCUD: 583 Silver Grove, Grey Stone, Bethel

BBCUD was billed \$ 21,779.08 for the month of July.

Robert Bebber made a motion to adjourn, and seconded, Jason Webb all approved.

Jason Webb :

Daniel Pickel :

Josh Barrett :

Josh Hayes :

Robert Bebber :

