



JASON E. MUMPOWER  
*Comptroller*

## UMRB Special Called Meeting Agenda

- I. South Fork Utility District
- II. East Sevier County Utility District



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Case: South Fork Utility District

Staff Summary: The Utility Management Review Board ordered Board staff to initiate contested case proceedings against the South Fork Utility District (“the District”) to address the question of whether to remove the South Fork Utility District Commissioners from their positions. The order from May of 2022 can be found attached.

After the Board had made this order, four of the five South Fork Utility District Commissioners have resigned. The remaining Commissioner, Jason Webb, began his appointment in May of 2021. Board staff believes since Mr. Webb began serving the district after the events found in the attached Comptroller investigative report, the Board should not seek removal of Mr. Webb from the South Fork Utility District Board. By withdrawing its order for staff to commence a contested case hearing, the Board will not be removing the other aspects of the Board order such as the feasibility study of a possible merger.

Staff Recommendation:

In light of the resignation of these South Fork Utility District Commissioners, Board staff recommends that the board withdraw its order for staff to commence a contested case hearing, and authorize counsel to pursue a dismissal of the matter without prejudice.

**BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD**

**IN THE MATTER OF:** )  
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**SOUTH FORK** ) **TENN. CODE ANN. §§ 7-82-307, 401**  
**UTILITY DISTRICT** )  
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**ORDER**

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On April 28, 2022, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of the South Fork Utility District (“South Fork”) pursuant to Tenn. Code Ann. §§ 7-82-307 and 401(g).

On April 7, 2022, the Comptroller’s Division of Investigations released an investigative report relative to South Fork, which report was included in the Board’s meeting packet and noted a number of deficiencies in the operation of the district. Board staff recommended that the South Fork commissioners should immediately be removed from their positions. Further, Board staff indicated that it is not confident that the continued operation of South Fork as a sole utility is in the best interest of the roughly 3,400 customers that it serves.

Based on Board staff’s statements and recommendations, the Board orders as follows:

1. Board staff shall initiate contested case proceedings, on behalf of the Board, against South Fork and any other necessary parties, to address the question of whether to remove South Fork’s Commissioners from their positions pursuant to Tenn. Code Ann. § 7-82-307(b)(2). This hearing should be scheduled as soon as is reasonably possible, and by a special called meeting if necessary.
2. The District may elect to voluntarily merge with another entity.

3. If the District does not elect to voluntarily merge with another entity, the District *shall* contract with TAUD or another qualified expert to perform a feasibility study that includes:
  - a. A rate study to show future rate increases necessary to perform current operations;
  - b. The feasibility of a merger between the South Fork and Bristol-Bluff City Utility District including the projected rates for the districts' current customers and the costs of any new or upgraded infrastructure to support the merger;
  - c. The feasibility of a merger between South Fork and Blountville Utility District including projected rates for the districts' current customers and the costs of any new or upgraded infrastructure to support the merger; and,
  - d. The feasibility of a merger between the utility systems of South Fork and the City of Bristol including projected rates for the districts' current customers and the costs of any new or upgraded infrastructure to support the merger.
4. South Fork shall send Board staff a copy of the contract required by paragraph 3 above by June 17, 2022.
5. South Fork shall send Board staff a copy of the completed feasibility study by December 16, 2022.
6. South Fork shall complete and return the financial distress questionnaire to Board staff within 90 days of receiving the questionnaire.
7. Board staff are given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by South Fork.

ENTERED this 3 day of May, 2022.



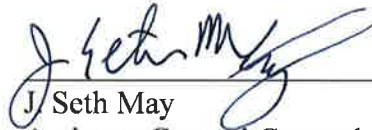
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BETSY KNOTTS, Chair  
Utility Management Review Board

### CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 3 day of May, 2022:

Board of Commissioners  
2800 Highway 421, #5  
Bristol, TN 37620



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J. Seth May  
Assistant General Counsel



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### Case: East Sevier County Utility District

Staff Summary: East Sevier County Utility District (“the District”) is a water and sewer utility district in Sevier County. Board staff began receiving complaints regarding interruptions to service to customers of the District. The District contracts with Alliance Water Resources for operation and management of the system.

In recent months, Board staff received several calls regarding consistent water outages for customers of the District. In speaking with employees of the Tennessee Department of Conservation, TDEC has confirmed numerous complaints from customers regarding water outages at their residences.

Further, Board staff has concerns with the validity of the water loss information that has been supplied by the District in prior years. The District has reported more water sold to customers, but the revenues do not reflect increased sales. Below is a table that summarizes this information in millions of gallons. From 2019 to 2021, the District reported selling 56.22% more water, but only reported increased sales of 2.90%. This perhaps can be explained by their billing structure, but further investigation is required to explain this matter.

	2019	2020	2021
Water Sold	8.978 mg	12.013 mg	14.025 mg
Revenues	\$230,539	\$228,706	\$237,115

Board staff attended a District meeting on August 12, 2022. This meeting seemed to serve in part as a public forum for customers to relay their complaints to the District. This meeting was heavily attended by customers worried about the future of the service the District can provide. Board staff is concerned with the current trajectory of the District considering its infrastructure needs and service provided to customers. Board staff believes an investigation should be opened into the District to ensure compliance with all relevant state and federal laws in providing safe, reliable water service to its customers.

### Staff Recommendation:

1. Board staff shall investigate the District to address the financial, technical, and managerial capacity of the entity to comply with the requirements of any applicable federal and state laws or regulations.
2. Board staff shall, with the full authority of the Board, issue subpoenas for the District’s manager, governing body, any other necessary staff, to appear in-person before the Board if the District does not comply full with the Board’s investigation.
3. Board staff shall update the Board as to the status of this investigation at its next meeting on December 8, 2022