



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
Office of State and Local Finance
Utility Management Review Board
James K. Polk State Office Building, Suite 1600
505 Deaderick Street
Nashville, Tennessee 37243-1402
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January 3, 2012

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 2011.

On behalf of each member of the Board, I would like to extend our 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 assistance, the Board would not have been 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, appearing to read "David Norton".

David Norton
Chairman

Attachment

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



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

January 2011 through December 2011

Prepared by

The Utility Management Review Board
Office of State and Local Finance
Comptroller of the Treasury
January 2012

ANNUAL REPORT FOR CALENDAR YEAR 2011

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

Approximately 185 utility districts operate in the State of Tennessee. Utility districts operate approximately 182 water and 18 wastewater systems.

The Division of Municipal Audit, Comptroller of the Treasury, refers utility districts to the Board in accordance with state statutes. 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 water loss in excess of 35% are also referred to the Board.

Staff to the Board in the Office of the Comptroller of the Treasury reviews the referred utility district 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 four meetings held in 2011, 28 case studies (7 financial distress and 21 water loss), 18 status reports (7 financial distress and 11 water loss), and 6 compliance reports (financial distress) were presented to the Board.

Since its creation, 160 financially distressed utility districts which have appeared before the Board; currently there are 30 under the jurisdiction of the Board for financial distress. There are 22 water loss cases currently under the jurisdiction of the Board.

The Board is also responsible for serving as an appeals board between customers and the local board of commissioners of the utility district. Staff received 99 customer complaints in 2011. One complaint, received in 2010 and heard by the Board in 2011, was resolved in favor of the district. One complaint is scheduled for review by the Board in 2012. The remainder of the complaints were resolved by Board staff or the complainants chose not to pursue the issue with the Board.

During the 2009 legislative session, the General Assembly revised the statutes to mandate Board approval of the creation of any new utility districts. No petitions for creation were reviewed or approved during 2011. During the 2010 legislative session, the General Assembly created a utility district training requirement with the approved curriculum being filed with the Board. Three training agendas were filed with the Board during 2011.

The Board approved procedures in 2011 for the removal of utility district commissioners based on the criteria established in state law. 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. The parties involved with a 2009 petition requesting the removal of commissioners presented their case before an Administrative Law Judge with the Secretary of State, Administrative Procedures Division, who issued an initial order. In early, 2011, the Board concurred with the initial order. The commissioners were not removed from office.

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. Removal proceedings began against commissioners of one utility district during 2011. The proceedings will continue into 2012.

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 were no loan requests submitted to the Board during 2011. Currently there are two outstanding loans with a balance of \$1,851,711. The amount available in the loan program on December 31, 2011 was approximately \$7,474,000. Those funds are located within 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. The Board completed this mandate on August 2, 2007. 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 2011.

The Board has the authority to allow a utility district to change its method of appointment for members of the Board of Commissioners by allowing the county mayor to select the members. One district requested and was granted such a change by the Board

**CASES PRESENTED
TO THE
UTILITY MANAGEMENT REVIEW BOARD
DURING 2011**

Utility District

County

Case Studies – Financial distress

Cumberland Heights Utility District	Montgomery
Cunningham Utility District	Montgomery
Fall River Road Utility District	Lawrence
Intermont Utility District	Sullivan
Old Hickory Utility District	Davidson
Roan Mountain Utility District	Carter
Sneedville Utility District	Hancock

Case Studies – Water loss

Arthur Shawanee Utility District	Claiborne
Bloomingtondale Utility District	Sullivan
Blountville Utility District	Sullivan
Calhoun-Charleston Utility District	McMinn
Cedar Grove Utility District	Carroll
Chuckey Utility District	Greene
Cross Anchor Utility District	Greene
DeWhite Utility District	White
East Sevier Utility District	Sevier
Gibson County Municipal Water District	Gibson
Harbor Utility District	Benton
Minor Hill Utility District	Giles
Mowbray Utility District	Hamilton
Northeast Henry Utility District	Henry
Perryville Utility District	Decatur
Sale Creek Utility District	Hamilton
Saltillo Utility District	Hardin
Shady Grove Utility District	Grainger
Soddy-Daisy-Falling Water Utility District	Hamilton
South Elizabethton Utility District	Carter
West Overton Utility District	Overton

Status Reports – Financial distress

Bedford County Utility District	Bedford
Bristol-Bluff City Utility District	Sullivan
Clay County Gas Utility District	Clay
Cunningham Utility District	Montgomery
Lakeview Utility District	Hawkins
Lone Oak Utility District	Hamilton
Webb Creek Utility District	Sevier

Status Reports – Water loss

Arthur Shawanee Utility District	Claiborne
Blountville Utility District	Sullivan
Chuckey Utility District	Greene
Cross Anchor Utility District	Greene
East Sevier Utility District	Sevier
Harbor Utility District	Benton
Mowbray Utility District	Hamilton
Sale Creek Utility District	Hamilton
Shady Grove Utility District	Grainger
Soddy-Daisy-Falling Water Utility District	Hamilton
South Elizabethton Utility District	Carter

Compliance Reports

Copper Basin Utility District	Polk
Northwest Henry Utility District	Henry
Riceville Utility District	McMinn
Roane Central Utility District	Roane
Upper Cumberland Utility District	Cumberland
Walden's Ridge Utility District	Hamilton

Petitions

Unicoi County Gas Utility District	Unicoi
Customer election to County Mayor appointment	

Investigative audit reviewed

Cagle-Freedonia Utility District	Sequatchie
Powell-Clinch Utility District	Anderson/Campbell
Jefferson-Cocke Utility District	Jefferson/Cocke
Natural Gas Utility District of Hawkins County	Hawkins
Oak Ridge Utility District	Anderson/Roane
Sevier County Utility District	Sevier

Customer petition/commissioner removal

Griffith Creek Utility District	Marion
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Complaints

Culpepper vs. East Sevier County Utility District	Sevier
Bent Creek vs. Webb Creek Utility District	Sevier

Complaints received by staff

By telephone	63
By e-mail	4
By letter	2
From the Attorney General	1
From Tennessee Regulatory Authority	29

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

Bedford County Utility District	Bedford
Bloomington Utility District	Sullivan
Bristol-Bluff City Utility District	Sullivan
Calhoun-Charleston Utility District	McMinn
Cedar Grove Utility District	Carroll
Chuckey Utility District	Greene
Citizens Gas Utility District	Scott
Clay Gas Utility District	Clay
Clearfork Utility District	Claiborne
Cookeville Boat Dock Road Utility District	Putnam
Cross Anchor Utility District	Greene
Cumberland Heights Utility District	Montgomery
Cunningham Utility District	Montgomery
DeWhite Utility District	White
Double Springs Utility District	Putnam
East Sevier Utility District	Sevier
Fall River Road Utility District	Lawrence
First Utility District of Carter County	Carter
First Utility District of Hardin County	Hardin
Gibson County Municipal Water District	Gibson
Grandview Utility District	Rhea
Harbor Utility District	Benton
Holston Utility District	Carter
Hornbeak Utility District	Obion
Intermont Utility District	Sullivan
Iron City Utility District	Lawrence
Knox Chapman Utility District	Knox
Lakeview Utility District	Hawkins
Leoma Utility District	Lawrence
Lone Oak Utility District	Sequatchie
Minor Hill Utility District	Giles
Mooresburg Utility District	Hawkins
Mowbray Utility District	Hamilton
North Utility District of Decatur and Benton	Decatur/Benton
Northeast Henry County Utility District	Henry
Old Hickory Utility District	Davidson
Perryville Utility District	Decatur
Quebeck-Walling Utility District	White
Roan Mountain Utility District	Carter
Sale Creek Utility District	Hamilton
Salttillo Utility District	Hardin
Samburg Utility District	Obion
Savannah Valley Utility District	Hamilton
Shady Grove Utility District	Jefferson
Siam Utility District	Carter
Sneedville Utility District	Hancock
Soddy Daisy-Falling Water Utility District	Hamilton
South Elizabethton Utility District	Carter
South Side Utility District	Smith
Striggersville Utility District	Hawkins
Sunbright Utility District	Morgan
Tuckaleechee Utility District	Blount
Webb Creek Utility District	Sevier
West Overton Utility District	Overton
West Point Utility District	Lawrence

**MEMBERS
OF THE
UTILITY MANAGEMENT REVIEW BOARD**

Mr. David Norton, Chairman
Hixson Utility District, Commissioner
Hamilton County

Ms. Ann Butterworth, Vice Chair
Comptroller of the Treasury designee

Dr. Rosemary Wade Owens
Consolidated Utility District, Commissioner
Rutherford County

Mr. S. Donnie Leggett
Hardeman-Fayette Utility District, General Manager
Hardeman County

Mr. Tom Moss
Tennessee Department of Environment and Conservation Commissioner designee

Mr. Don Stafford
Eastside Utility District, General Manager
Hamilton County

Mr. Loyal Featherstone
Consumer member
Shelby County

Mr. Troy Roach
New Market Utility District, General Manager
Jefferson County

Mr. Charlie Anderson
Bloomingdale Utility District
Sullivan County

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

Ms. Mary-Margaret Collier
Director, Office of State and Local Finance

Ms. Joyce Welborn
Board Coordinator, Office of State and Local Finance

Ms Lindsey Gallagher
Legislative Accountant, Office of State and Local Finance

Mr. Greg Cothron
Staff Attorney, Office of General Counsel