



STATE OF TENNESSEE
Utility Management Review Board

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January 12, 2015

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 2014.

On behalf of each member of the Board, I would like to extend our continued appreciation to the employees 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 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 blue ink that reads "Ann V. Butterworth".

Ann V. Butterworth
Chair

Attachment

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

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

January 2014 through December 2014

ANNUAL REPORT FOR CALENDAR YEAR 2014

The 95th General Assembly created the Utility Management Review Board (Board) in 1987 to advise utility district boards of commissioners in the area of utility management. The Board promulgated its rules and began hearing cases in January 1989. The current rules of the Board became effective on September 27, 2010. 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.

Approximately 178 utility districts operate in the State of Tennessee. Utility districts operate approximately 156 water, 31 wastewater, 21 natural gas, one fire protection, and one transit 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 position in any one year, having negative change in net position 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 for water loss.

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 utility to determine if the approved compliance plan is successful. If not, the District must meet with the Board and explain the steps required to resolve the condition. Case studies are presented to the Board for the first appearance of a utility. An ongoing case is generally presented as a status report. A compliance report is presented when the utility is in compliance with financial distress and water loss issues.

During the 3 meetings held in 2014, 12 case studies (8 financial distress and 4 water loss), 4 status reports, and 21 compliance reports were presented to the Board.

Since its creation, 168 financially distressed utility districts have appeared before the Board. Currently there are 17 districts under the jurisdiction of the Board for financial distress. There are 6 districts currently being monitored 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 2014.

Based on the information presented in an investigative audit prepared by the Department of Audit, the Board has the authority to commence commissioner removal proceedings. Removal proceedings commenced in 2011 against commissioners of one utility district was reconsidered by the Board in light of the opinions expressed by the Tennessee Court of Appeals. After reconsideration, the case was dismissed. During 2014, four new investigative reports were reviewed.

The Board voted during 2014 not to pursue one case for removal. Three cases presented to the Board for commissioner removal consideration were delayed until 2015 for further review.

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. There were no rate review petitions filed or considered during 2014.

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. Currently there is one outstanding URLP loan with a balance of \$1,540,430. The amount available in the URLP on December 31, 2014 was approximately \$6,795,110. Those funds are held in the Highway Fund under TDOT for accounting purposes. There were no loan requests in 2014.

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 2014.

During the 2009 legislative session, the General Assembly revised the statutes to mandate Board approval of the creation of any new utility districts. There were no petitions for creation presented during 2014.

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 curricula were filed with the Board during 2014.

The Government Operations Joint Subcommittee on Commerce, Labor, Transportation and Agriculture met and voted to recommend the Utility Management Review Board be continued for five years. That recommendation will be made to the General Assembly during the 2015 legislative session.

**CASES PRESENTED
TO THE
UTILITY MANAGEMENT REVIEW BOARD
DURING 2014**

Utility District

County

Case Studies – Financial distress

Cagle-Fredonia Utility District	Sequatchie
Cherokee Hills Utility District	Polk
Lone Oak Utility District	Sequatchie
Mooresburg Utility District	Hawkins
North Utility District of Rhea County	Rhea
O'Connor Utility District	White
Surgoinsville Utility District	Hawkins
Unicoi Water Utility District	Unicoi

Case Studies – Water loss

Crab Orchard Utility District	Cumberland
East Sevier County Utility District	Sevier
Mooresburg Utility District	Hawkins
Spring Creek Utility District	Hardeman

Status Report

Clearfork Utility District	Claiborne
Lone Oak Utility District	Sequatchie
Minor Hill Utility District	Giles
Samburg Utility District	Obion

Compliance Reports

Bean Station Utility District	Grainger
Bloomington Utility District	Sullivan
Carderview Utility District	Johnson
Chuckey Utility District	Greene
Clearfork Utility District	Claiborne
Cross Anchor Utility District	Greene
Hampton Utility District	Carter
Intermont Utility District	Sullivan
Natural Gas Utility District of Hawkins County	Hawkins
Northeast Henry County Utility District	Henry
Northwest Utility District	Hamilton
Northwest Henry County Utility District	Henry
Roan Mountain Utility District	Carter
Shady Grove Utility District	Grainger
Sneedville Utility District	Hancock
Spring Creek Utility District	Hardeman
Surgoinsville Utility District	Hawkins
Sylvia-Tennessee City-Pond Utility District	Dickson
Tarpley Shop Utility District	Giles
Webb Creek Utility District	Sevier
West Cumberland Utility District	Cumberland

Petitions

Belvidere Rural Utility District – change commissioner selection method	Franklin
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Complaints

Bent Creek Golf Village vs. Webb Creek Utility District	Sevier
City of Elkton vs. South Giles Utility District	Giles
Craddock vs. Gladeville Utility District	Wilson

Investigative Reports

Carderview Utility District	Johnson
Chuckey Utility District	Greene
Cross Anchor Utility District	Greene
Northeast Henry County Utility District	Henry
Powell Clinch Utility District	Anderson
Webb Creek Utility District	Sevier

Complaints received by staff

Directly:	82
By telephone	62
By e-mail	9
By mail or Comptroller web	6
HOTLINE or Legislator	5

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

Bedford County Utility District	Bedford
Cagle-Fredonia Utility District	Sequatchie
Chanute-Pall Mall Utility District	Fentress/Pickett
Cherokee Hills Utility District	Polk
Clay Gas Utility District	Clay
Crab Orchard Utility District	Cumberland
East Sevier Utility District	Sevier
Haywood County Utility District	Haywood
Iron City Utility District	Lawrence
Lone Oak Utility District	Sequatchie
Minor Hill Utility District	Giles
Mooresburg Utility District	Hawkins
North Utility District of Rhea County	Rhea
O'Connor Utility District	White
Samburg Utility District	Obion
Tansi Sewer Utility District	Cumberland
Unicoi Water Utility District	Unicoi

**MEMBERS
OF THE
UTILITY MANAGEMENT REVIEW BOARD**

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

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

Mr. Don Stafford
Utility District Manager
Hamilton County

Mr. Loyal Featherstone
Consumer member
Shelby County

Replaced September 15, 2014

Mr. Kevin Botts
Consumer member
Williamson County

Appointed September 15, 2014

Mr. Troy Roach
Utility District Manager
Jefferson County

Replaced April 15, 2014

Mr. Bruce Giles
Utility District Manager
Loudon County

Appointed April 15, 2014

Mr. Jason West
Utility District Commissioner
Cheatham County

Ms. Rebecca R. Hunter
Utility District Commissioner
Hamilton County

Mr. Pat Riley
Utility District Manager
Gibson County

Mr. Jim Hunter
Utility District Commissioner
Wilson County

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

Ms. Joyce Welborn
Utilities Board Manager

Mr. John Greer
Utilities Board Analyst

Ms. Betsy Knotts
Assistant General Counsel