



JASON E. MUMPOWER  
*Comptroller*

**MINUTES**  
**of the**  
**TENNESSEE BOARD OF UTILITY REGULATION MEETING**  
**March 13, 2025**  
**10:00 am**

**Greeting:**

Chairman Moody detected a quorum and called to order the first meeting of the Tennessee Board of Utility Regulation (“TBOUR” or “the Board”) in the Volunteer Conference Center on the 2<sup>nd</sup> Floor of the Cordell Hull Building in Nashville, TN at 10:00 a.m. (CDT).

**Board Members Present and Constituting a Quorum:**

Greg Moody, Chairman  
Tom Moss, Vice-Chairman  
Eugene Hampton  
David Purkey  
Steve Stone  
Bruce Giles  
Anthony Pelham  
Edwin Carter  
Alex Smith  
Britt Dye

**Staff Present:**

Ross Colona, Comptroller’s Office  
Ben Johnson, Comptroller’s Office  
Nate Fontenot, Comptroller’s Office  
Charlie Lester, Comptroller’s Office  
Alex Behnke, Comptroller’s Office

**Counsel Present:**

Seth May, Comptroller’s Office



JASON E. MUMPOWER  
*Comptroller*

**Others present and Addressing the Board:**

Steve Osborne, Assistant Director, LGF, Comptroller's Office

Sheila Reed, Director, LGF, Comptroller's Office

**Conflict of Interest Statement:**

Counsel Seth May read the following statement: "The Board was created to act for the public welfare and in furtherance of the legislature's intent that utility systems be operated as self-sufficient enterprises. Board members are not authorized to participate in the discussion of or to vote on matters involving entities in which the Board member has a financial interest, with which the Board member has a conflict of interest, with which the Board member has a contract of employment, or if there is any appearance of impropriety."

Board members will recuse themselves or declare any conflict of interest at the time each relevant case is presented.

**Approval of Minutes**

Motioned by Mr. Pelham. Seconded by Mr. Purkey. It passed unanimously with no discussion.

**Recognition of New Members**

Introduction of two new members: Alex Smith from Humboldt Utility Authority and Britt Dye from Fayetteville Public Utility.

**Public Comment Period**

Mr. Colona introduces a public comment period, and Mr. Gregory has requested to speak.

Jordan Gregory of Lynnville addressed the Board to express his concerns regarding a potential merger between Lynnville and Fairview Utility District. Mr. Gregory referenced the merger between Petersburg and Fayetteville, which he said led to Petersburg's near bankruptcy, and urged the Board not to let Lynnville experience a similar fate. He outlined that the town of Lynnville has underfunded its water utility, misused funds to support its general fund, and ignored the guidance provided by TBOUR regarding financial repayment and feasibility studies.



JASON E. MUMPOWER  
*Comptroller*

Mr. Gregory stated that the town has lacked a long-term improvement plan, failed to complete a mandated feasibility study, and has left key positions, such as water department manager, unfilled for extended periods. He proposed that instead of merging, Lynnville work collaboratively with Fairview Utility District to improve long-term sustainability, customer service, and financial planning while remaining an independent utility.

### **Customer Complaints**

Mr. Colona states that this Board will recognize the individuals that are present to speak first, so long as the Board is okay with it. The Board agreed and proceeded out of order.

### **Gladeville Utility District**

Mr. Colona introduced concerns regarding Gladeville Utility District, which historically had no significant complaints or financial issues. Recently, however, complaints have emerged related to high water hardness levels—among the highest in Tennessee. Mr. Colona initially recommended an administrative review to allow Board staff to engage the utility and investigate further before the next Board meeting.

Mr. Dewey Branstetter, representing Gladeville Utility District, acknowledged the water hardness but emphasized that Tennessee does not regulate water hardness levels. He expressed concern that an administrative review might imply misconduct or fault and noted that complaints had not been brought to the utility directly. He requested that the Board refer the complainant to Gladeville and send a formal letter, rather than initiating a review.

- Mr. Colona agreed that the utility had not necessarily done anything wrong but explained that an investigation would help address the concern conclusively.
- Mr. Moss noted that if there is no regulatory standard, the Board cannot enforce any change.
- Mr. Purkey asked whether the matter could be investigated without implying fault.

Mr. Colona proposed a compromise: direct Board staff to investigate the issue without formally opening an administrative review. Mr. Pelham moved to accept the compromise and was seconded by Mr. Giles. The Board unanimously approved the motion



JASON E. MUMPOWER  
*Comptroller*

### **Nolensville College Grove Utility District**

Mr. Colona introduced a customer complaint involving Ms. Douglas, whose property experienced a large leak resulting in a substantial water bill. The core question before the Board was whether Nolensville College Grove Utility District has a leak adjustment policy and whether the policy was followed.

Mr. Michael Wall, legal counsel for the utility district, confirmed that a leak adjustment policy is in place and was properly followed. He explained that the policy excludes irrigation system leaks from adjustment eligibility for several operational and fairness-related reasons. Mr. Wall acknowledged the unfortunate nature of the situation but stated that the district acted in accordance with its policy. In response to claims that the district didn't do enough to assist the customer, Mr. Wall outlined the district's actions:

1. The meter reading system does not support continuous monitoring but does issue alerts if 24-hour continuous usage is detected.
2. Ms. Douglas received an automated alert on March 7, and the district offered a payment plan, which she declined.

Mr. Colona stated the district fulfilled its obligations, even offering a payment plan as a courtesy. He recommended offering the payment plan once more and taking no further action unless the Board had additional concerns.

Ms. Douglas, attending virtually, confirmed the timeline but noted that the leak began in January 2024. She received an alert in February while traveling and missed the one-time message. She took action to shut down the irrigation system, but a failure near the meter line caused the issue. She described the lack of an adjustment policy for irrigation leaks as arbitrary and unfair, and requested a partial adjustment to her bill as a compromise.

### **Board Discussion**

- Mr. Hampton asked whether Ms. Douglas had received her February bill, to which she explained she did not receive it until late March, citing a lag in the billing system.



JASON E. MUMPOWER  
*Comptroller*

- Mr. Pelham, drawing on his experience as a utility manager, supported the idea of a billing delay and asked if the February bill showed any usage spike—Ms. Douglas said it looked normal.
- Mr. Giles inquired about the location of the leak and whether the system had been winterized; Ms. Douglas said the leak occurred just off the meter.

Ms. Douglas sought a mutually agreeable bill adjustment, but Mr. Giles and Mr. Purkey expressed concern about asking a utility to violate its written policy. Still, they were sympathetic and suggested a long-term payment plan (e.g., 24 to 30 months) as a local compromise.

Mr. Giles proposed that:

- TBOUR staff investigate whether the utility district has ever made an exception to its leak policy
- No adverse action be taken against Ms. Douglas in the meantime
- If the matter is resolved locally, the utility should inform the Board at the next meeting

Mr. Colona supported this course of action and added that the Board should only revisit the issue if no agreement is reached. Mr. Giles moved to adopt the revised staff recommendation and was seconded by Mr. Purkey. The motion was unanimously approved

### **City of Memphis**

Mr. Colona invited Joe Jarrett, a representative of a property development group, to present a formal complaint regarding the City of Memphis denying sewer access to a 110-acre, commercially zoned parcel located at Walnut Grove and Houston Levee. Jarrett explained that a sewer line already exists on the property, serving a previously approved phase of the development, and argued that denial of service to the remaining phases is arbitrary and inconsistent.

Jarrett and his team presented documentation showing multiple maps—including some from the City of Memphis—indicating the property is within the Grace Creek Basin, contradicting the city's claim that it lies in the Mary's Creek Basin. Jarrett noted that similar developments nearby had received access and that the developer would bear full infrastructure costs, including any new connections. Communication from city officials was described as minimal and unresponsive, with no replies from the mayor's office despite multiple attempts.



JASON E. MUMPOWER  
*Comptroller*

Representing the city, attorney Cece Dreighton and Public Works Director Scott Morgan asserted that the majority of the parcel lies within Mary's Creek Basin, where a 2013 City Council resolution prohibits sewer extensions. They argued:

- Jarrett lacks a standard improvements contract
- The property was purchased after the policy was enacted
- There is no gravity sewer infrastructure on-site
- Connecting to Grace Creek could exceed force main capacity

They acknowledged that other properties had received access but justified it based on pre-existing contracts or easements.

#### Board Discussion Highlights

- Mr. Giles questioned whether capacity concerns were valid and noted proximity to a 60-inch interceptor, stating the city's refusal appears arbitrary, especially when framed solely around the property's location outside city limits.
- Mr. Purkey questioned whether this was simply a case of the city not wanting to cooperate.
- Mr. Morgan responded that city policy favors core growth and extending services outside Memphis's corporate limits undermines that goal.
- Mr. Hampton raised concerns about setting precedent, asking how many other developers might present similar cases (estimated 40).
- Mr. Colona clarified that each case is evaluated independently, and this would not set a blanket precedent.

Jarrett reaffirmed the developer's willingness to fund all required infrastructure, including constructing a new 36-inch interceptor, to reduce any burden on the city's system.

Mr. Colona acknowledged that multiple viable solutions exist, and once a utility serves outside its limits, it assumes responsibility for those customers. He recommended that both parties meet in good faith before August 29, 2025, to explore a mutually beneficial resolution.

- Mr. Giles stated for the record that if no solution is reached, he will propose an order at a future meeting.
- The Board voted unanimously to issue an order requiring informal mediation, facilitated by Board staff, with a deadline of August 29.
- If no resolution is reached, the matter will return to the Board for formal consideration.



JASON E. MUMPOWER  
*Comptroller*

Chairman Moody moved to adopt the staff recommendation and Vice Chairman Moss seconded. The motion was unanimously approved.

### **South Fork Utility District**

Mr. Colona provided detailed background on South Fork Utility District (“South Fork”), which remains behind on audit submissions, has received modified opinions on past audits, and lacks an approved budget. Additionally, the Comptroller’s Division of Investigations previously found the utility to be one of the most egregious cases of gross negligence. These concerns led to Board staff exploring a potential merger with Bristol Bluff City Utility District (“BBCUD”).

Mr. Colona emphasized that a merger between the two districts would be administrative only requiring no new infrastructure. While both parties agreed to lower rates under BBCUD and to retain South Fork’s manager, Adam Hale, they could not agree on the structure of the merged board. South Fork expressed concern about lack of representation; however, Mr. Colona strongly disagreed with the idea that BBCUD would not act in good faith and did not offer a formal staff recommendation, instead asking for Board guidance.

### **Public Comments**

- Mr. Eric Reeher, representing South Fork, asserted that the utility has made a significant financial turnaround, culminating in a clean 2023 audit. He credited current leadership and stated that South Fork no longer meets the statutory definition of a financially distressed or alien utility. He argued that neither utility desires the merger and asked the Board to cease pursuing it.
- Mr. Tom Seely, speaking for BBCUD, shared that merger talks began in good faith, and BBCUD agreed to several terms, including a name change and retaining Mr. Hale as manager. However, BBCUD became concerned after South Fork commissioners publicly stated they would prefer transferring operations to the City of Bristol if they couldn’t stay independent. This raised monopoly concerns and potential rate risks. Citing TCA 7-82-704, Mr. Seely explained that if no agreement on board structure is reached, the existing board of the surviving district (BBCUD) would remain, with future vacancies filled by the county mayor from the South Fork area.



JASON E. MUMPOWER  
*Comptroller*

#### Board Discussion and Options Considered

- Mr. Giles proposed that current South Fork board members serve in a non-voting advisory role during the transition, with the county mayor appointing representatives to the voting board over time. He also suggested retaining health benefits for advisory members.
- Mr. May offered an alternative: a five-member board split between both utilities with a neutral fifth member appointed by the county mayor—a structure South Fork supported, but BBCUD did not.

Mr. Colona recommended that Board staff convene both parties for further discussions to attempt a resolution. Mr. Giles moved to adopt this recommendation and was seconded by Mr. Hampton. The Board approved the motion, with Mr. Pelham abstaining.

The meeting broke for lunch at 12:20 p.m.

#### **City of Lynnville**

At the start of the meeting, a public comment was made opposing a potential merger between Lynnville Utility District and Fairview Utility District. While there was some debate over whether a feasibility study had already been formally conducted, Board staff did not comment on that dispute, focusing instead on the broader situation. Mr. Colona reported that during a visit to Lynnville in December, he heard broad acknowledgment of serious operational and financial issues, despite opposition to a merger. He emphasized that the disagreement is not about whether problems exist, but rather how they should be addressed.

Lynnville has a history of submitting inaccurate or delinquent audits, many of which remain outstanding. Staff expressed concern that Fairview Utility District may not fully understand the financial liabilities it could inherit in a merger. Mr. Colona clarified that a feasibility study is not a popularity vote, but an objective assessment of operational and financial viability. He also reminded the Board that state law permits mandated mergers when deemed in the best interest of utility customers—even over local opposition. A representative from Lynnville reported that contracts for the 2023 and 2024 audits had been signed, and auditors were actively collecting materials. Although no firm timeline was given, the audits were estimated to be completed within three months. Staff previously requested that all outstanding audits be submitted by May 31, 2025, with extensions available upon a showing of good cause.





JASON E. MUMPOWER  
*Comptroller*

#### Original Staff Recommendation

- Upon completion of all delinquent audits, Lynnville would have six months to complete a rate study and feasibility study evaluating merger options with Fairview and other nearby utilities.

Several Board members expressed concern that six months may be insufficient to complete both studies. After discussion, Mr. Colona revised the recommendation:

- Lynnville must complete both a rate study and a feasibility study by December 31, 2025
- Allow up to two three-month extensions if justified

Mr. Pelham moved to accept the revised recommendation and was seconded by Mr. Smith. The motion was unanimously approved.

#### **Water and Wastewater Authority of Wilson County**

Mr. Colona introduced a complaint brought by Mr. Young, who addressed the Board with a formal request for the Water and Wastewater Authority of Wilson County to comply with Tennessee Code § 68-221-605(e)(1), which requires utility boards to adopt their own bylaws and rules of procedure. Mr. Young asserted that the authority had not adopted any such rules, referencing documentation (specifically Document 2A) included in the board materials. He emphasized the need for structured governance and requested the Board set a six-month deadline for compliance with oversight from Board staff.

Mr. Young stated that while such rules might not resolve all issues, they were a necessary step toward restoring public trust and accountability, particularly given the authority's long-standing leadership and history of delays and missed compliance deadlines. He clarified his request was not about individual grievances, but about ensuring statutory compliance and improved governance. He also requested that only the Board, not staff, influence the adoption of governance rules.

Mr. Chris Lubber, representing the utility, responded by asserting that the complaint contained inaccurate information and requested time for a formal response. He confirmed that bylaws do exist and said he had responded to Mr. Young's public records requests, of which there had been 14 in the past year. Lubber invited Board staff to conduct a site visit to help clarify matters.



JASON E. MUMPOWER  
*Comptroller*

In response, Mr. Young pointed to Document 1B, where Luber had marked that “no such records exist” in reference to a request for bylaws—contradicting his verbal claim that they are in place. He reiterated the need for official rules of procedure, particularly in a rapidly growing county like Wilson, and again requested the Board set a deadline and provide oversight.

#### Board and Staff Discussion

- Mr. Colona acknowledged the concerns and proposed that Board staff conduct a site visit to verify whether the authority is in compliance with statutory requirements, including the adoption of bylaws and procedural rules.
- Mr. Purkey supported the recommendation, noting the situation had become adversarial and required a neutral, fact-based approach.
- Mr. Pelham suggested adding a timeline, recommending that Board staff complete the compliance review by August 29, in time for the September meeting, if not sooner.
- Mr. Colona agreed to the timeline and committed to reporting back as early as the June Board meeting, if possible.
- Mr. Young thanked the Board and emphasized the importance of reviewing his full complaint, reiterating his goal was to improve governance for the future.

Mr. Pelham moved to direct Board staff to verify the Water and Wastewater Authority of Wilson County’s compliance with all statutory and regulatory requirements and to report back by August 29, 2025. Mr. Carter seconded the motion, and it was unanimously approved.

#### **City of Lexington**

Mr. Colona introduced the next case out of order concerning the City of Lexington, noting that although a representative from Lexington was present, he did not wish to speak unless there were questions. Mr. Colona requested to take the item out of order for efficiency. He explained that the case involves a negative unrestricted net position, a newer category of financial distress under the oversight of the Tennessee Office of the Comptroller. While the City is actively working to resolve this issue—specifically by conducting a rate study—Mr. Colona emphasized the need for additional measures.

He recommended that:

- The utility adopt or reinforce a cash management policy.



JASON E. MUMPOWER  
*Comptroller*

- The city update the Comptroller's Office on the status of an OPEB (Other Post-Employment Benefits) trust, working in conjunction with the Division of State Government Finance.

He acknowledged the complexities related to how pensions and OPEB affect accounting measures like unrestricted net position and encouraged Lexington to explore whether restructuring their OPEB trust could yield any benefits. An update on these efforts was requested by September 30. Mr. Giles then made a motion to accept staff recommendations, which was seconded by Mr. Moss. Before voting, Mr. Pelham inquired whether the representative from Lexington contested the recommendation. The representative did not oppose the recommendation. The motion to accept staff recommendations was carried without opposition.

### **Ocoee Utility District**

Mr. Colona presented another customer complaint case out of order submitted by Ms. Lawson regarding a billing dispute with Ocoee Utility District. The case raised concerns about the utility's leak protection policy, which appeared to default to its service line insurance provider without clearly defined internal standards. Staff recommended that the utility update and clarify its leak protection policy, explicitly stating whether leak insurance constitutes its formal policy.

Joining virtually, Ms. Lawson recounted her ongoing efforts over the past two years to resolve the dispute. She stated:

- A leak was detected by Ocoee, but the utility waited a full week before shutting off her water, during which she continued to be billed.
- She received no timely communication, and there was no customer alert system in place.
- She was not eligible for service line protection at the time.
- She requested relief from the \$1,082.50 in charges associated with the weeklong delay, as well as late fees and penalties totaling nearly \$5,600.

Ms. Lawson emphasized that she had never missed a payment, had been paying extra toward her account, and yet her water was shut off and her meter locked.

Mr. Colona acknowledged that Ocoee did submit its current leak adjustment policy, but staff believed the policy required modernization, especially to clearly include service line protection. He compared the case to a prior one involving Nolensville College Grove Utility District, where similar issues of notification and fairness arose. He outlined three key concerns:



JASON E. MUMPOWER  
*Comptroller*

1. Customer Notification – While best practice, there is no legal requirement in Tennessee to notify customers within a set timeframe of a leak.
2. Policy Modernization – The utility should revise its policy to clearly reflect its approach to service line protection.
3. Charge Waiver Consideration – While Ocoee followed its written policy, staff believed the board could fairly waive penalties and fees assessed after Ms. Lawson filed her complaint, given her good faith effort to resolve the matter.

#### Board Discussion

- Mr. May (legal counsel) clarified that the Board had previously directed staff—via an August 7 letter—to encourage, not require, the utility to review its policy.
- Mr. Smith asked about the timeline of events. Ms. Lawson confirmed the leak was detected and logged, but she was not notified for a full week.
- Mr. Bruce expressed discomfort with forgiving usage charges, emphasizing the utility followed policy.
- Mr. Pelham suggested a more limited remedy—waiving only penalties and late fees incurred after the complaint.

Mr. Colona agreed and recommended a measured resolution:

- Waive any fees, penalties, or excessive charges assessed after Ms. Lawson’s informal hearing request, while leaving the usage charge intact.
- Update the utility’s leak protection policy to explicitly reflect the use of service line protection.

Mr. Moss moved to adopt the staff’s recommendation and was seconded by Mr. Carter. The motion was unanimously approved.

#### **Bean Station Utility District**

Mr. Colona, Board staff, presented the case involving a customer complaint regarding the placement of a water meter at a residential property. The customer alleged that the meter was installed in a location that rendered it unusable due to interference with existing fiber and electric utility lines, despite proper line marking by authorities. The customer’s request was straightforward: to have a usable meter placed in a workable location on the property. Mr. Colona stated that staff believed the Board would be within its rights to order the relocation of the meter, describing the issue as a simple matter of ensuring water access. He noted that



JASON E. MUMPOWER  
*Comptroller*

communication with both the utility and the customer had been challenging, as the utility office is only open two days per week and the customer cannot communicate via email.

- Mr. Hampton asked for clarification on what constituted an “unusable” meter. Mr. Colona explained that the current placement conflicted with underground utility lines, making it difficult for a customer service line to be safely installed.
- Board members questioned why the situation had not already been resolved, noting that the matter appeared relatively simple.

Ms. Tammy Wilson of Bean Station Utility District explained that customers typically place a blue flag to indicate preferred meter placement. In this case, the meter was placed where requested, but the customer later wanted it moved closer to the house. Ms. Wilson noted that other customers had successfully installed service lines in similar situations by working around utility lines, and that the district’s superintendent did not see a problem with the current location.

- Mr. Purkey asked whether a certified plumber had confirmed that the line was unusable. Ms. Wilson stated that no such certification had been received, and the customer had not reported that a plumber refused to perform the work. Instead, the customer had initially agreed to consult a plumber but never provided follow-up.

Mr. Colona recommended the following resolution:

- If the customer is unable to find a plumber willing to install the service line due to conflicts with existing utility lines, then Bean Station Utility District should relocate the meter to a usable location.
- However, if a plumber is able and willing to complete the installation as-is, then no relocation is necessary.

Mr. Pelham and Mr. Stone emphasized that the utility should not move the meter simply because the customer wants it closer to the house, as this would increase utility liability and reduce homeowner responsibility without cause. Mr. Giles asked whether the utility could provide the customer with a list of area plumbers, which Ms. Wilson confirmed they could do. Mr. Purkey moved to adopt the staff recommendation, with Mr. Hampton seconding. The Board unanimously approved the motion with no opposition.



JASON E. MUMPOWER  
*Comptroller*

### **Witt Utility District**

Mr. Colona, Board staff, presented the case involving a customer complaint regarding the utility's billing structure. The complainant objected to Witt Utility District's standard \$24 minimum monthly fee, which is applied regardless of water usage. The customer argued that there should either be no minimum charge, or that it should be more clearly itemized on the bill. Mr. Colona noted that such a minimum billing structure is standard practice across nearly all utilities in Tennessee. Staff reviewed the complaint and concluded that no Board action was warranted, as the practice aligns with common utility billing norms. The staff's official recommendation was that the Board take no action with the reasoning that it is universal practice across the state and that the utility's billing structure does not violate any existing regulations or statutory requirements.

#### **Board Member Recusals**

- Mr. Purkey recused himself due to his residence in Hamblen County, where the utility operates.
- Mr. Pelham also recused himself, noting a conflict due to TUA's involvement with Witt Utility District.

Mr. Giles moved to accept the staff's recommendation and take no further action. Mr. Moss seconded the motion, affirming that billing decisions are based on the utility cost of service, not subject to Board intervention unless regulations are violated. The Board unanimously voted to dismiss and close the case.

### **Centerville**

Mr. Colona provided a follow-up update on a previous customer complaint involving Centerville Utility. The customer had reported being charged variably for sewer service despite not having sewer access at the property. Mr. Colona stated that after discussions with both the customer and the utility, the issue has been resolved to the customer's satisfaction.

- Mr. Fontenot, the regional analyst, explained that although the customer issue is resolved, the utility has been advised to conduct a rate review to assess how sewer usage charges are applied in similar cases.
- The utility is working with a third-party cost of service expert and has requested an extension through June 30 to complete the review.



JASON E. MUMPOWER  
*Comptroller*

No Board action was required. Staff confirmed the matter is being monitored administratively, and the case is considered resolved from a customer service standpoint, with staff managing the remaining policy review internally.

### **Huntingdon**

Mr. Colona, Board staff, presented a brief update on a customer complaint involving the Town of Huntingdon. He stated that the issue has been fully resolved, all actions by the utility were conducted appropriately, and there are no outstanding concerns. Staff recommended that the case be closed and released from Board oversight. Mr. Pelham moved to accept the staff recommendation, and it was seconded by Mr. Purkey. The Board unanimously approved the motion, and the case was officially closed.

### **Annual Information Report Cases**

Mr. Johnson, Board staff, presented a compliance issue involving four utility entities that failed to submit their required Annual Information Reports to the Comptroller's Office. These filings are mandated on an annual basis.

#### **Staff Recommendation**

- Set a deadline of April 30 for the utilities to file their reports.
- If reports are submitted on time, the cases will be closed with no further action.
- If the deadline is missed, the Board may consider issuing subpoenas to compel attendance at a future Board meeting.

Mr. Giles moved to accept the staff recommendation and was seconded by Mr. Pelham. The motion was unanimously approved.

### **Delinquent Audit Cases**

Mr. Johnson, Board staff, presented a list of utilities that failed to submit required financial audits by the state-mandated deadline. He explained that staff had followed up with each entity and, where possible, obtained estimated timelines for completion.

Allow the cases to remain open while utilities work toward compliance. Staff recommends:



JASON E. MUMPOWER  
*Comptroller*

- Continue communication and oversight
- Monitor progress, and
- Pursue enforcement measures if necessary

#### Board Discussion

- Mr. Stone asked whether commissioner compensation could be frozen as an enforcement tool.
- Mr. Johnson confirmed that freezing compensation is a valid mechanism and could be considered in future cases, particularly for utility districts.

Mr. Purkey moved to accept the staff recommendation and was seconded by Mr. Hampton. The motion was unanimously approved, authorizing staff to continue oversight and pursue compliance strategies as needed.

#### **Negative Unrestricted Net Position Cases**

Mr. Johnson, Board staff, presented the case of Jackson Energy Authority (JEA), which appeared before the Board due to a negative unrestricted net position reported in its most recent audit. This condition is now a recognized indicator of financial distress following the creation of the Tennessee Board of Utility Regulation (TBOUR) in 2023. Previous boards—WWFB and UMRB—did not have the authority to act on this specific metric.

A comprehensive review led by Steve Osborne, Assistant Director of Local Government Finance, revealed that the deficit was primarily due to accounting treatment of pensions and OPEB (Other Post-Employment Benefits). When these items were excluded, JEA was found to be in strong financial health, with sufficient revenue, no operational red flags, and compliance with obligations.

#### Staff Recommendation

Release JEA from Board oversight, as it is not in financial distress and the negative net position is driven solely by accounting treatment, not actual financial risk.

#### Board Discussion Highlights

- Mr. Hampton asked why pension and OPEB liabilities are now triggering Board reviews.





JASON E. MUMPOWER  
*Comptroller*

- Mr. Colona explained this is due to new statutory authority granted to TBOUR and clarified that, in this case, the sole issue was OPEB—not broader financial instability.
- Mr. Hampton also asked whether these types of deficits will be disregarded in all future cases.
  - Mr. Colona stated that staff would not issue a blanket rule but would generally recommend no action if the utility is otherwise financially sound.
- Mr. Pelham stressed the importance of continued funding of pension and OPEB obligations and asked that future staff reports confirm compliance with state requirements.
- Mr. Osborne elaborated that JEA is funding its pension above 100% of the Annual Determined Contribution (ADC) in accordance with Public Chapter 990 and maintains an OPEB trust. The negative balance is due to temporary investment fluctuations, making it a “paper liability.”

Mr. Smith moved to accept the staff recommendation and was seconded by Mr. Giles. The motion was unanimously approved, and JEA was released from Board oversight.

### **Clearfork Utility District**

Mr. Johnson, Board staff, presented the next case of Clear Fork Utility District, an East Tennessee, case out of order since a representative of Clear Fork was virtually present. Mr. Johnson noted a long-standing pattern of noncompliance with Board orders dating back to 2022 under the former Utility Management Review Board (“UMRB”). The district had previously been ordered to complete both a rate study and a feasibility analysis but has failed to fulfill either requirement. Staff emphasized that the utility has also experienced persistent delays in submitting audits, which has hindered the ability to carry out meaningful financial analysis. Although Clear Fork has now submitted an updated FY23 audit through an 18-month engagement, they still lack FY24 financial figures, making further progress difficult. Given the prolonged delays, Mr. Johnson explained that Board staff recommend rescinding prior orders and establishing a new timeline for compliance. He also noted that if the utility fails to meet the new deadlines, the case may be referred to the Office of the Attorney General for enforcement. He recommended a new compliance timeline:

- April 30, 2025 – Deadline to submit a contract for a rate study
- June 30, 2025 – Deadline to complete the rate study
- September 30, 2025 – Deadline to complete the feasibility analysis



JASON E. MUMPOWER  
*Comptroller*

Staff reiterated that this new structure is designed to give the utility one last opportunity to comply before more serious consequences are considered. Ms. Tanya Brookman was present online and listening on behalf of Clear Fork Utility District. Mr. Giles made a motion to accept the staff recommendation. Mr. Pelham seconded the motion. With no further discussion, the Board unanimously approved the motion, adopting the revised compliance plan and deadlines for Clear Fork Utility District.

### **City of Lobelville**

Mr. Johnson, Board staff, got back on track with the agenda and presented the case of the City of Lobelville, which was referred to the Board due to a negative unrestricted net position. Upon further review, staff identified additional indicators of financial distress within the city's gas utility system. Specifically, the system has experienced six consecutive years of declining statutory net position, with the only recent increase—reported in the FY24 audit—attributable to a county grant, rather than operational revenue. Additionally, the utility's accounts payable balance exceeds its current cash balance by 1.5 times, a condition that meets the Comptroller's Budget and Debt Manual definition of financial distress. Staff also noted that the utility is running a structural deficit, with insufficient revenues to cover operating expenses. In light of these findings, staff recommended that the City of Lobelville conduct a rate study to ensure the utility can implement a rate structure that supports long-term financial stability. The proposed compliance timeline is as follows:

- April 30, 2025 – Deadline to submit a contract for the rate study
- June 30, 2025 – Deadline to complete the rate study, with a provision to allow an extension of up to six months, if necessary

The objective is to help the utility rebalance its revenue model, rebuild cash reserves, and remove it from financial distress classifications. Mr. Purkey made a motion to accept the staff recommendation and Mr. Hampton seconded. With no further discussion, the Board unanimously approved the motion.

### **Paris Utility Authority**

Mr. Johnson, Board staff, presented the case of Paris Utility Authority, which was referred to due to negative unrestricted net positions in both its water and sewer systems. Specifically, the water



JASON E. MUMPOWER  
*Comptroller*

system reported a negative unrestricted net position of \$247,000, while the sewer system reported a negative balance of \$252,000. Staff clarified that both deficits are attributable to pension and OPEB (Other Post-Employment Benefits) liabilities. If those accounting factors were removed, both systems would show a positive unrestricted net position. However, further financial analysis revealed additional areas of concern. For the water system, unrestricted cash was only 10% of expenses, which is categorized as a concern under the Comptroller's Budget and Debt Manual. In the sewer system, staff noted that unrestricted cash was 133% of expenses, but current liabilities exceeded current assets, and accounts payable exceeded available cash—conditions that qualify as distressed under the Comptroller's definitions.

To address these issues, staff recommended the following:

- By August 31, 2025, Paris Utility Authority should conduct a review of its cash management policy and report any changes or updates made to improve its unrestricted cash position in line with Comptroller recommendations.
- The utility should also evaluate the benefits of establishing an OPEB trust and work with the Division of State Government Finance to explore options for having the trust approved by the State Funding Board.

These steps aim to strengthen the utility's financial practices and reduce vulnerability to future distress indicators. Mr. Stone made a motion to accept the staff recommendation and was seconded by Mr. Hampton. The Board unanimously approved the motion

## **CONSENT AGENDA**

### **Water Loss**

Mr. Johnson, Board staff, presented the Consent Agenda item related to water loss compliance, involving two utility entities that have not yet completed the required AWWA 6.0 water loss audit. These two entities are Grandview Utility District and Huntsville Utility District. These audits were triggered by self-reported excessive water loss levels in their Annual Information Reports. Staff recommended that each utility:

- Engage a third-party firm by April 30 to perform the AWWA audit.
- Complete and submit the water loss study to Board staff by May 30.

This agenda item was part of a broader consent approach, grouping multiple utilities with similar compliance issues under a single Board order to streamline actions. Mr. Purkey asked about the



JASON E. MUMPOWER  
*Comptroller*

difference between the Consent Agenda and standard Board items. Mr. Johnson explained that the consent agenda consolidates multiple utilities facing identical issues, allowing them to be addressed in a single Board action. In this case, two utilities required the same corrective steps regarding water loss. Chairman Moody asked what the next step would be if the utilities failed to meet the deadlines. Mr. Colona responded that in such cases, staff would either return to the Board to request subpoenas or, preferably, include subpoena language now in the Board's order. This approach gives utilities clear warning of the consequences of continued noncompliance. Mr. Stone asked whether the Board could use withholding commissioner pay as leverage. Mr. May, legal counsel, stated that while this is technically possible under a broad reading of the statute, it is considered a "nuclear option" and should be avoided unless absolutely necessary.

Based on the discussion, the Board amended the staff recommendation to include subpoena language in the compliance order. This means that if the utilities fail to engage a third party or complete the audit by the deadlines, staff will have pre-approved authority to initiate subpoenas without returning for additional Board approval. Mr. Pelham made a motion to accept the amended staff recommendation, now including subpoena authority. Mr. Moss seconded the motion. With no further discussion, the Board unanimously approved the motion. The two utilities will remain under oversight, with compliance required by April 30 and May 30, respectively.

### **Water Loss Compliance Referrals**

Mr. Johnson, Board staff, continued the Board's discussion on water loss compliance, introducing a group of seven utility entities that have failed to submit required water loss plans. These seven entities include: McKenzie, Newbern, Ridgely, Lynnville, New Market Utility District, Ocoee Utility District and Mooresburg Utility District. These utilities had previously reported excessive water loss in their Annual Information Reports and, as a first step, were required to complete an AWWA 6.0 water loss audit. Following the audit, the next compliance requirement is to submit a formal water loss remediation plan to Board staff.

Despite outreach from the Comptroller's Office, the listed entities had not provided the required plans. Staff recommended issuing a compliance order requiring that each utility:

- Submit their water loss plan by May 31 to Board staff.



JASON E. MUMPOWER  
*Comptroller*

If the plans are submitted before the deadline, the case will be considered resolved and closed. In response to prior discussion on enforcement, staff proposed adding subpoena language to the order. This would give staff authority to issue subpoenas at the next meeting if the entities fail to comply by the May 31 deadline. Mr. Pelham made a motion to accept the staff recommendation, including the added subpoena provision and it was seconded by Mr. Hampton. With no further discussion, the Board unanimously approved the amended motion. The seven utilities are now required to submit water loss plans by May 31, or risk being subpoenaed for noncompliance.

### **Cases to Place in Update Cycle**

Mr. Johnson, Board staff, introduced a consent agenda item involving seven utilities that had previously been referred to the Board due to financial distress, specifically declining net positions. The seven utilities include Adamsville, Brownlow Utility District, First Utility District of Hardin County, Hohenwald, Red Boiling Springs, Tennessee Ridge and Intermont Utility District. Staff reported that each of the seven entities had since shown positive financial progress, including corrections to earlier issues identified in Board orders, such as completing rate studies and implementing recommended improvements. Because of this progress, staff recommended that these utilities be moved into the Board's "update cycle." This classification means the utilities are no longer under active Board directives but will remain under Board staff oversight while staff monitors future audits for continued improvement.

To be eligible for eventual release from oversight, each utility must:

- Respond to staff requests for updated financial information, and
- Demonstrate two consecutive years of positive change in their net position based on audited financial statements.

Mr. Hampton questioned how Tennessee Ridge Utility District could be moved into the update cycle when their audit reports are two years behind, noting a potential inconsistency. Mr. Johnson and Mr. Colona clarified that Tennessee Ridge has completed the rate studies required under previous Board orders but has not yet submitted recent audits. Therefore, they are not being released from Board oversight but are being placed in the update cycle as a recognition of their partial compliance. Staff emphasized that these utilities will remain under the Board's authority until their upcoming audits (e.g., FY23 and FY24) are submitted and reviewed. Only upon confirmation of two years of positive audit data would staff bring them back for full release from oversight. Mr. Hampton made a motion to accept the staff recommendation to move the listed utilities into the update cycle and it was seconded by Mr. Pelham. The Board unanimously



JASON E. MUMPOWER  
*Comptroller*

approved the motion. The seven utilities will remain under Board oversight in the update cycle category, pending future audit submissions and review.

### **Open Cases in Update Cycle**

Mr. Johnson, Board staff, introduced a consent agenda item focused on pure water loss, identifying utilities that have reported more than 40% non-revenue water loss in their Annual Information Reports. This threshold—defined as a concern under state guidance—applies to approximately 110 entities included in the current order. Up to this point, Board staff had addressed water loss administratively, working with utilities individually to ensure compliance. However, this agenda item formalizes oversight by moving all listed entities into the update cycle, similar to how financial distress is tracked. All entities on the list have completed the required AWWA 6.0 audit, and water loss remediation plan.

Going forward, Board staff will continue monitoring these utilities. Entities must demonstrate consistent improvement in water loss rates, with several consecutive years below the 40% threshold, before they are considered for release from oversight. Mr. Pelham confirmed with staff that the entities listed were those that reported over 40% water loss via their Annual Information Reports. Staff confirmed this was correct. Mr. Hampton noted that there are approximately 379 utilities that sell water, meaning over one-third are reporting significant water loss—a clear sign of the magnitude of the issue statewide. Mr. Moss added that the 40% threshold is a broad indicator, and utilities often show improved figures once they complete the more precise AWWA methodology, which accounts for infrastructure factors such as miles of water line and system age. Mr. Giles made a motion to accept the staff recommendation and Mr. Pelham seconded the motion. With no further discussion, the Board unanimously approved the motion.

### **Financial Distress Cases**

Mr. Johnson, Board staff, provided a brief informational update on currently open financial distress cases. No Board action or recommendation was presented. The purpose was simply to make the Board aware of the active cases, including those where staff is working with utilities to obtain rate studies, conduct feasibility analyses, or guide them toward financial improvement prior to any formal Board oversight.



JASON E. MUMPOWER  
*Comptroller*

### **Late Annual Information Reports**

Mr. Johnson, Board staff, presented a list of entities that previously failed to submit their Annual Information Reports by the required deadlines. These deadlines vary by fiscal year end (e.g., June 30, September 30, or December 31). Although these entities were temporarily out of compliance, all have since submitted the required reports and are now back in good standing. Staff recommended that these cases be formally closed, and the entities released from Board oversight related to the late filings. Mr. Pelham made a motion to accept the staff recommendation and was seconded by Mr. Smith. The Board unanimously approved the motion, and the cases were closed.

### **Water Loss Release Cases**

Mr. Johnson, Board staff, presented a group of four utilities that were previously under Board oversight for excessive water loss. The four utilities include Claiborne Utility District, Dover, Madison Suburban Utility District, and Sardis. All four entities have since submitted AWWA 6.0 water loss reports, developed water loss remediation plans, and maintained water loss levels well below the 40% threshold for two consecutive years. Based on their sustained compliance, staff recommended these cases be formally closed and the utilities released from Board oversight. Mr. Giles moved to accept the staff recommendation and Mr. Smith seconded. The Board unanimously approved the motion, and the four cases were closed.

### **EAST TENNESSEE**

#### **City of Luttrell**

Mr. Charlie Lester, Board staff and East Tennessee analyst, presented the case of the City of Luttrell, which has been under Board oversight for financial distress since 2016. The city's most recent audits (FY23 and FY24) show continued statutory decreases in net position. The most recent Board order required the city to complete both a rate study and a feasibility study. Mr. Lester noted that while the city has contracted with a third party to complete the rate study, a miscommunication occurred regarding the feasibility study—the original third-party provider is not authorized to complete it. As a result, the city is now seeking a new provider and has requested a six-month extension.





JASON E. MUMPOWER  
*Comptroller*

Staff recommended:

- Granting the six-month extension, and
- Allowing staff discretion to grant an additional six-month extension, if needed.

Mr. Purkey made a motion to accept staff recommendations and Mr. Smith seconded the motion. Mr. Pelham asked staff for a broader perspective on utilities under Board oversight for extended periods (e.g., 9 years), questioning what the ultimate goal or resolution path should be for long-standing distressed systems. Mr. Lester acknowledged that some historical context predates current staff and asked the Board for permission for a virtual representative of Luttrell to speak, which they granted. Mr. Jerry Lawson, Mayor of the City of Luttrell, addressed the Board remotely. He explained that since taking office in 2019, the city has made significant improvements. He inherited a sewer fund with only \$31,000, but that balance has since grown to \$564,000. The city has paid off new equipment, addressed internal fraud from prior administrations, and raised rates in accordance with a previous rate study—although billing errors by an external provider, LBC, delayed scheduled annual increases. Mayor Lawson expressed commitment to compliance and asked for understanding, noting the challenges of managing a small system with part-time resources. With no further discussion, the Board unanimously approved the motion to grant a six-month extension, with the option for staff to approve an additional six-month extension if needed.

### **Mooreburg Utility District**

Mr. Lester, Board staff, presented the case of Mooreburg Utility District, which has been under Board oversight for financial distress since 2020. Although the district completed a rate study in 2023, it did not implement its findings. Additionally, a required internal controls and policy review ordered in March 2024 was not completed. The utility has also experienced significant governance disruptions, including the temporary departure of the general manager and resignation of two board members in late 2024. Two new board members were appointed in early 2025, and the general manager has since returned.

Staff recommended:

- Extending the rate study contract deadline to April 30, 2025,
- Ordering a merger review, with the contract due by the same date, and
- Requiring both the updated rate study and merger review to be submitted by September 30, 2025.





JASON E. MUMPOWER  
*Comptroller*

Mr. Giles moved to accept the staff recommendation and Mr. Hampton seconded the motion. With no further discussion, the Board unanimously approved the motion.

### **Ocoee Utility District**

Mr. Lester, Board staff, presented the newly referred case of Ocoee Utility District, which showed statutory decreases in net position in both FY22 and FY23. According to the utility's submitted questionnaire, the decline is attributed to the need to purchase excess water from neighboring utilities due to degraded infrastructure. Ocoee is currently seeking funding to address the issue, including a USDA loan and a potential grant to construct a new water treatment plant. Additionally, the utility has a rate study already in progress and plans to implement quarterly rate increases over the next year. Staff recommended that:

- The utility submit a rate study contract by April 30, 2025,
- Complete and implement the rate study by June 30, 2025, and
- Allow staff to grant up to two six-month extensions, if needed.

Chairman Moody noted that this is the same utility previously discussed for poor customer service related to water loss. Mr. Giles asked whether the utility has been required to submit a water loss plan, which staff confirmed was the case. He emphasized that building a new plant will not resolve issues unless the distribution system is also improved. Mr. Moss moved to accept the staff recommendation and Mr. Hampton seconded the motion. The Board unanimously approved the motion.

### **Town of Oliver Springs**

Mr. Lester, Board staff, presented the case of the Town of Oliver Springs, which has been under Board oversight for financial distress since 2021. The Board previously ordered the town to complete a feasibility study by March 31, 2024, but this was not completed due to delays in receiving the town's FY24 audit. Staff explained that the audit is essential to conducting a valid feasibility study and that, per communication with Local Government Audit, the audit is expected by May 31, 2025. As a result, staff recommended extending the feasibility study deadline to October 31, 2025.

#### **Board Discussion**

- Mr. Pelham expressed concern over the prolonged timelines for compliance, noting that nearly 30 months would have passed since the order was issued. He questioned the



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*Comptroller*

utility's seriousness in addressing Board directives and emphasized the impact on ratepayers and service quality.

- Mr. Colona acknowledged the concern but clarified that Oliver Springs has experienced significant leadership turnover, including a new town manager, and that their failure to comply was not due to lack of effort, but rather to severe audit deficiencies. He affirmed that current staff are making a good-faith effort to meet the Board's requirements.
- Mr. Giles noted that the utility is actively considering a merger, with Limestone Utility expressing interest in acquiring and improving operations.
- Mr. Pelham reiterated that the Board's role includes advocating for service quality and voiced his continued frustration with administrative delays, even as he moved the recommendation forward.

Mr. Pelham made a motion to accept the staff recommendations, acknowledging their effort while also expressing impatience with the pace of progress. Mr. Smith seconded the motion. The Board unanimously approved the motion, granting an extension of the feasibility study deadline to October 31, 2025.

### **Town of Parrottsville**

Mr. Lester, Board staff, presented the case of the Town of Parrottsville, which has been under Board oversight since 2017 for financial distress. A feasibility study, completed in January 2024, identified three options, with the most viable being construction of a pump station and force main to connect with Newport Utilities. However, Newport Utilities has expressed unwillingness to assume the system, citing high costs and operational concerns. The Board engaged in a candid and wide-ranging discussion about the severe condition of Parrottsville's system, its tiny customer base of 207, and the \$8 million cost estimate for full rehabilitation. Members expressed concern about lack of state funding, the impracticality of merging, and the viability of alternatives like decentralized systems or septic.

- Mr. Pelham, Mr. Hampton, Chairman Moody, and others questioned the long-term sustainability and equity of any major investment in the system.
- Mr. Colona, Mr. Johnson, and Mr. Ross from Board staff provided insight into the operational challenges, funding gaps, and low revenue base of the system—making even modest upgrades financially unfeasible under current conditions.

No formal vote was taken. Mr. Colona proposed—and the Board agreed—to take no action at this time, directing staff to continue working with the utility and bring back an updated recommendation at a future meeting once additional discussions and evaluations occur.



JASON E. MUMPOWER  
*Comptroller*

### **East Sevier County Utility District**

Mr. Lester, Board staff, presented an administrative review case for East Sevier County Utility District, which has been under Board oversight since 2022. Previous Board orders required the completion of both a rate study and a feasibility study. While the utility is under contract for both studies, staff identified issues related to inadequate accounting and billing software, including an inability to track all billed customers. The utility is under new management, which is actively working to resolve system issues and improve operations. Based on a recent update from management, staff recommended:

- Extending the contract due date to June 30, 2025,
- Setting a final completion deadline of December 31, 2025, and
- Including language allowing for two six-month extensions, if necessary.

Mr. Moss moved to accept the staff recommendation and Mr. Giles seconded the motion. Mr. Pelham recused himself from the vote due to his relationship with TUA Services. The Board unanimously approved the motion (with the noted recusal).

The meeting took a five-minute recess before moving on to the Middle Tennessee cases at 3:05 p.m.

### **MIDDLE TENNESSEE**

#### **Town of Alexandria**

Mr. Colona, presenting on behalf of Middle Tennessee analyst Megan Huffstutter, introduced the administrative review case for the Town of Alexandria, citing significant management and staff turnover, which has impacted utility operations. The utility has approximately 1,000 customers and has not had a rate study in over four years, raising concerns about long-term fiscal sustainability. Board staff visited Alexandria to assess conditions and determined that a new rate study and feasibility study are needed. The feasibility study will explore the potential for merging with nearby utilities, given the utility's small size and surrounding service overlaps.

#### **Staff Recommendation**

- Submit a contract for the rate and feasibility studies by April 30, 2025
- Complete and submit the studies by June 30, 2025
- Allow up to two six-month extensions if needed



JASON E. MUMPOWER  
*Comptroller*

- Include subpoena language in the order if directives are not followed

#### Board Discussion

- Mr. Moss asked whether the utility is a purchase-only system; Mr. Colona confirmed they purchase all water from Carthage.
- Mr. Smith inquired if there is a rule about how often rate or feasibility studies must be conducted. Mr. Colona clarified that while there is no legal requirement, industry best practice generally suggests every 3–5 years, and Alexandria lacks the capacity to perform internal reviews. Mr. Pelham added that the TBOUR/TDEC scorecard used a five-year benchmark for rate study recency as part of ARP-related evaluations.

Mr. Pelham moved to accept the staff recommendation and Mr. Giles seconded the motion. The Board unanimously approved the motion.

#### **City of Dunlap**

Mr. Colona presented the case of the City of Dunlap, which has experienced delays in audit submissions and has shown two consecutive years of negative net position. The city has not completed a rate study in over five years, but has already taken steps to correct these issues, including a water rate increase in late 2024 and engaging MTAS and Ry Engineering for a rate study. To support continued progress and ensure accountability, staff recommended that the Board issue an order with the following requirements and deadlines:

- By April 30, 2025:
  - Submit a written explanation of the audit delinquency
  - Provide a contract with MTAS or another qualified firm to conduct a rate study
- By June 15, 2025:
  - Submit all outstanding audits, including the FY24 audit
- By June 30, 2025:
  - Submit the completed rate study, which must include a review of water loss, customer base, billing practices, debt service, and any rate changes

The order includes language allowing up to two six-month extensions if needed. If the utility fails to comply with any directive, Board staff will have the authority to issue subpoenas to require attendance at the next Board meeting. Mr. Smith moved to accept the staff recommendation and Mr. Pelham seconded the motion. The Board unanimously approved the motion.



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*Comptroller*

### **Grundy County**

Mr. Colona presented the case of Grundy County, a sewer-only utility that has been under Board oversight since 2016 for financial distress. The system serves approximately 50 customers. Despite a \$60,000 increase in revenue between FY21 and FY22, the utility has been unable to reach financial breakeven. Given the ongoing viability concerns, staff recommended a new rate study and feasibility study to determine long-term sustainability. The county is not the water provider for these customers—Big Creek Utility District is—which adds complexity to potential merger considerations.

#### **Staff Recommendation**

- By April 30, 2025: Submit a contract for the rate and feasibility study
- By June 30, 2025: Submit the completed study
- Allow up to two six-month extensions for good cause
- Include subpoena language for noncompliance with Board directives

#### **Board Discussion**

- Mr. Giles asked if merger discussions with Big Creek Utility District had occurred. Mr. Colona confirmed there were early conversations with both Grundy County and Big Creek, but no formal action has been taken.
- Mr. Pelham inquired whether privatization might be a solution for very small systems. Mr. Colona acknowledged it's an option outside the Board's authority, but utilities are free to explore it if they choose.

Mr. Purkey moved to accept the staff recommendation and Mr. Stone seconded the motion. The Board unanimously approved the recommendation.

### **City of Jamestown**

Mr. Colona presented a compliance case involving the City of Jamestown's gas utility—a rare utility type to appear before the Board. The utility has not submitted its FY24 audit, has not closed accounting records appropriately, and has not completed a gas rate study in over five years. Staff Recommendation:

- By April 30, 2025: Submit an explanation for audit delays and a contract for a rate study
- By June 15, 2025: Submit all outstanding audits
- By June 30, 2025: Submit the completed rate study
- Staff may grant up to two six-month extensions
- Include subpoena language for noncompliance



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*Comptroller*

Mr. Purkey moved to accept the staff recommendation and Mr. Pelham seconded the motion. The Board unanimously approved the motion.

### **City of Watertown**

Mr. Colona presented the case of the City of Watertown, which has repeatedly appeared before the Board for non-responsiveness and compliance delays, particularly regarding water loss reporting. Despite previously contracting with Ry Engineering for assistance, the utility has failed to submit required reports and it continues to be difficult to communicate with—primarily due to the mayor serving as the sole point of contact, despite his part-time status. Staff recommended a stronger enforcement approach, given the city's continued disregard for directives:

- By May 15, 2025: Submit the required AWWA 6.0 water loss audit
- Regardless of compliance, subpoena the mayor and certified operator responsible to TDEC to appear at the next Board meeting
- Restrict the utility from applying for or accepting any grants or issuing debt unless prior approval is granted by Board staff. If Board staff does not respond to a request within 30 days, the request will be considered approved by default
- Allow staff to grant up to two six-month extensions for other outstanding compliance matters

#### **Board Discussion**

- Mr. Pelham, Mr. Giles, and Mr. Hampton voiced concerns about the lack of responsiveness and governance structure in Watertown.
- Legal counsel Mr. May clarified that the Board can limit access to utility grants or debt issuance until compliance is achieved.
- Mr. Moss supported holding the mayor and certified operator accountable, particularly given the certified operator's licensing responsibility with TDEC.

Mr. Pelham made a motion to subpoena the city mayor and the utility's certified operator, prohibit the utility from applying for or accepting utility-related grants or issuing debt without Board staff approval and incorporate all original staff recommendations. Mr. Hampton seconded and the motion carried unanimously.



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*Comptroller*

## **WEST TENNESSEE**

### **City of Camden**

Mr. Fontenot presented the City of Camden as a new case under Board oversight, noting it has been straightforward and cooperative. The city already has a rate study underway with MTAS and is expected to complete it soon. The staff recommendation is to skip the engagement letter phase and require the rate study to be implemented by June 30, 2025, with authority to grant up to two six-month extensions if needed. Mr. Giles moved to accept the staff recommendation, and it was seconded by Mr. Moss. The motion was unanimously approved.

### **City of Erin**

Mr. Fontenot presented the City of Erin, which has been under Board oversight since 2021. Although the city implemented a previous rate study, financial trends have continued to decline. The cause may include a shrinking customer base or rising expenses. The staff recommendation is to conduct a new rate study to evaluate the current financial condition and determine next steps if issues persist. Mr. Pelham moved to accept the staff recommendation and was seconded by Mr. Smith. The motion was carried unanimously.

### **Town of Gibson**

Mr. Fontenot presented the Town of Gibson, which has been under Board oversight since 2019 and is currently four years behind on audits—with the most recent being from FY2020. Despite ongoing communication with the mayor, the city has made no meaningful progress in complying with prior directives. Staff emphasized the lack of current financial visibility and the need for strategic review. The town does not currently connect with nearby utilities, but two strong systems—Gibson County Municipal Water District and the Humboldt Utility Authority (presided over by TBOUR member Mr. Smith)—operate nearby. Board staff is not yet recommending a merger but suggests beginning a feasibility study to explore long-term options. The staff recommendation includes:

- By April 30, 2025: Submit a contract for a rate and feasibility study
- By June 30, 2025: Submit the completed study
- Allow up to two six-month extensions if needed
- Include subpoena language if the town fails to comply





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*Comptroller*

#### Board Discussion Highlights

- Mr. Giles raised the idea of subpoenaing city officials due to the prolonged noncompliance.
- Mr. May (legal counsel) explained that the Board could also pursue enforcement via the Attorney General's office, provided specific directives are included.
- Mr. Smith clarified the legal status of Humboldt's transition to a utility authority and affirmed it was not a newly formed utility.
- Chairman Moody and Mr. Colona emphasized that there is no current infrastructure connection to justify a forced merger, but that future audits and study results could change that.
- Mr. Fontenot noted new legislation pending the governor's signature would allow withholding 15% of shared sales tax for municipalities that are two or more years late on audits—a potential pressure point for compliance.

Mr. Pelham moved to accept the staff recommendation. Mr. Moody seconded after Mr. Giles suggested the potential for a subpoena be used as added pressure. The Board unanimously approved the motion.

#### **Leoma Utility District**

Mr. Fontenot presented the case of Leoma Utility District, which had previously come before the Board following an investigative report by the Comptroller's Division of Investigations. That report identified four key compliance failures:

1. The board failed to report suspected unlawful conduct
2. The board did not properly document labor agreements with the general manager
3. The general manager did not maintain supporting documentation for some disbursements
4. The board lacked a formal purchasing policy and internal controls

A feasibility study was ordered and completed by Water Finance Exchange, identifying both Loretto and Lawrenceburg Utility Systems as viable candidates for consolidation. Given the proximity (about five miles) and an existing emergency interconnection with Lawrenceburg, Board staff determined consolidation with Lawrenceburg is the most feasible solution.

#### Staff Recommendation

- Initiate formal merger proceedings between Leoma Utility District and the City of Lawrenceburg
- Board staff to begin direct discussions with Lawrenceburg officials





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*Comptroller*

Mr. Pelham moved to accept the staff recommendation and was seconded by Mr. Purkey. The Board unanimously approved the motion

### **City of Loretto**

Mr. Fontenot presented the City of Loretto, which is under Board oversight for two reasons:

1. A decrease in net position, and
2. A negative unrestricted net position.

The unrestricted deficit appears tied to capital payables, which should be corrected once a USDA debt issuance in 2025 converts current liabilities to long-term debt. The city has already contracted a third party for a rate study, expected to be completed soon.

Staff Recommendation

- Submit the rate study by June 30, 2025
- Allow for up to two six-month extensions

Mr. Giles moved to accept the staff recommendation, and it was seconded by Mr. Carter. The motion was unanimously approved.

### **Town of Obion**

Mr. Fontenot presented the Town of Obion, which has been under Board oversight since 2018 for financial distress. Although the town completed a previous rate study and implemented the rate increases, it has returned to oversight due to two consecutive years of declining net position.

Staff Recommendation

- Order a new rate study to be completed
- Ensure updated rates are enacted following the study's findings

There was little discussion on this case. Mr. Hampton asked if the FY24 audit had been filed, noting a previous expense spike in FY22. Mr. Fontenot explained that while the audit was not available when the recommendation was prepared, it has since been filed, showing continued financial strain. Mr. Colona confirmed the audit revealed a \$46,000 statutory decrease and total expenses of \$718,000, affirming the need for a new study. Mr. Hampton moved to accept the staff recommendation and was seconded by Mr. Purkey. The motion was unanimously approved.



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*Comptroller*

### **Town of Mason – Water Loss Referral**

Mr. Fontenot presented the Town of Mason’s first case, related to excessive water loss. The utility has not yet completed the required AWWA water loss worksheet with a third party and has not submitted a water loss plan.

#### **Staff Recommendation**

- Issue a Board order requiring completion of the AWWA worksheet
- Include subpoena language for noncompliance

Mr. Moss moved to accept the staff recommendation and was seconded by Mr. Hampton. The motion was unanimously approved.

### **Town of Mason – Administrative Review**

Mr. Fontenot presented an administrative review for the Town of Mason, which has been under Board scrutiny since 2021. After the town failed to hire a certified operator by a previous deadline, it was ordered to complete a feasibility study, which was submitted in March 2024. However, the utility’s former contract operator, Alliance Water Resources, has since terminated its agreement, and Board staff determined the original study is no longer reliable due to incomplete or outdated financial data.

#### **Recent developments include:**

- The town has since hired SL Environmental for contract operations.
- New auditors uncovered substantial depreciation underreporting—a jump from \$80,000 to over \$300,000 in the latest audit—prompting concern over outdated financial assumptions.

#### **Staff Recommendation (As Amended by the Board):**

1. Retain the original directive for the town to complete a new feasibility study
2. Move the contract submission deadline to May 30, 2025
3. Maintain the feasibility study completion deadline of December 31, 2025
4. If the May 30 deadline is not met, subpoena the full governing body (mayor and aldermen), utility contract manager, and certified operator
5. If the May 30 deadline is met, subpoena only the mayor, contract manager, and certified operator to attend the July Board meeting
6. The remaining members of the governing body will be invited, but not subpoenaed



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#### Board Discussion Highlights

- Mr. Hampton and Mr. Giles pushed for a more aggressive timeline, citing repeated delays and a lack of confidence in follow-through.
- Mr. Colona and Mr. May confirmed the Board cannot yet escalate to the Attorney General, since the town technically complied with earlier orders, though the submitted study is now outdated.
- The updated approach balances accountability with feasibility, ensuring there is time to issue subpoenas ahead of the July Board meeting if necessary.

Mr. Pelham moved to accept the staff recommendation with the amended deadlines and subpoena provisions. Mr. Hampton seconded, and the motion was unanimously approved.

#### **West Point Utility District**

Mr. Fontenot presented the case of West Point Utility District, which was placed under Board oversight in July 2024 following concerns raised by TDEC. A feasibility study, recently completed by Water Finance Exchange and Communities Unlimited, identified four key concerns:

1. Neglected capital improvements and needed infrastructure upgrades
2. No operating budget or regular financial oversight by the Board
3. Lack of key utility management policies
4. Noncompliance with TDEC water quality standards

Compounding these issues, the utility's longtime general manager passed away in August 2024, leaving the board without sufficient operational capacity. The City of Loretto currently supplies water to the district.

Staff Recommendation (as amended):

- Pursue merger discussions with both the City of Loretto and the City of Lawrenceburg, with Lawrenceburg noted as a larger and potentially more viable long-term partner.

Mr. Pelham moved to accept the amended staff recommendation and was seconded by Mr. Moss. The motion was unanimously approved.



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*Comptroller*

## **MANAGER CASES**

### **City of Decherd**

Mr. Colona presented the City of Decherd, which previously completed a rate study with Jackson Thornton and implemented significant rate increases. However, the city is still facing audit submission issues.

The staff recommendation was to proceed with a feasibility study to evaluate the potential for a merger with a surrounding utility. Mr. Giles moved to accept the staff recommendation and Mr. Purkey seconded. The motion was unanimously approved with no discussion.

### **Town of Petersburg**

Mr. Colona provided an update—not a recommendation—for the Board regarding the ongoing merger process between the Town of Petersburg and Fayetteville Public Utilities (FPU). The Board had previously directed the merger to occur, and both parties have since entered a six-month evaluation period to assess the merger’s feasibility and operational impacts.

Mr. Colona clarified that if the merger does not move forward by the end of the six months, the Board would likely resume formal action to order the merger, unless a compelling reason is presented showing it would be detrimental to Fayetteville.

Discussion Highlights:

- Mr. Dye, who serves as FPU’s general manager and a Board member, noted that cooperation from Petersburg has been limited, but FPU remains committed to moving forward.
- Mr. Pelham acknowledged the logistical challenges, particularly legal reviews and property transfers, emphasizing that delays won’t be penalized as long as both parties continue in good faith.

No Board action was taken, as this was strictly an update.

### **Siam Utility District**

Mr. Colona presented concerns regarding Siam Utility District, which recently had to dip into reserve funds to pay a large water bill from Watauga River Regional Water Authority due to



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*Comptroller*

inadequate budgeting practices. Despite having clean audits, the utility has operated for two consecutive years without submitting a budget to the Comptroller's Office—a serious compliance issue. Additionally, Mr. Moss noted minor environmental concerns, further highlighting questions about the utility's overall management.

Mr. Giles moved to place Siam Utility District under official administrative review, allowing staff to evaluate its internal operations and cash management policies. Mr. Hampton seconded and motion was unanimously approved

### **Cumberland Utility District**

Mr. Colona provided a brief update on the ongoing administrative review of Cumberland Utility District. Board staff continues to have operational concerns and plans to conduct an on-site visit in the near future to gather further information.

No Board action was requested, as the case is already open and under review.

### **Sevier County Utility District**

Mr. Colona presented a significant case involving the Sevier County Utility District, where an employee—the utility's former manager—was found to have stolen hundreds of thousands of dollars from the utility over time. The case was detailed in an investigative report from the Comptroller's Division of Investigations and has resulted in an indictment and pending trial. While Board staff originally recommended pursuing a contested case hearing to consider removal of the utility's current board members, questions arose about what the board knew, when they knew it, and whether they acted with sufficient diligence to prevent or respond to the theft.

#### **Board Discussion Highlights**

- Mr. Purkey proposed a modified approach, recommending an administrative review rather than immediate legal proceedings. He noted that although the board was not in place when earlier issues began, they did act by suspending and then terminating the manager once concerns were formally raised.
- Board members, including Mr. Pelham, Mr. Giles, Mr. Smith, and Mr. Moss, agreed more information was needed—particularly about how long board members had served, whether allegations had been ignored, and what governance changes have been made since the incident.



JASON E. MUMPOWER  
*Comptroller*

- Mr. Colona, Mr. May (legal counsel), and Mr. Fontenot supported the revised path, with plans for staff to investigate, conduct interviews, and return to the Board with a full report.

#### Final Motion and Action

- Mr. Purkey moved to open an administrative review to gather facts, including how long board members have served, what they knew, and what internal changes have been made to prevent future theft.
- Mr. Moss seconded the motion.
- The Board approved the motion, with Chairman Moody voting “nay” and requesting his vote be recorded.

A full report is expected to be presented at the next Board meeting on July 10, 2025.

#### **Draft Rules**

Mr. Colona introduced the final draft rules for Board consideration, noting this was the last procedural step before full adoption. Mr. May explained that the rules had already gone through the public rulemaking hearing and an initial legal review by the Attorney General’s Office. The Board’s approval would authorize submission to the Secretary of State’s Office for formal promulgation, completing the rulemaking process.

Mr. May added that the Board’s approval would be subject to any minor technical edits required by the Attorney General’s Office, but no additional signatures or formal actions would be needed from individual Board members.

Chairman Moody moved to adopt the rules, and it was seconded by Mr. Giles. The motion was unanimously approved, finalizing the rule package for completion and publication.

#### **Utility Manual**

Mr. Colona presented the finalized version of the Tennessee Utility Manual, a resource created by Board staff to help utilities better understand governance, best operational practices, and their interaction with the Comptroller’s Office. The manual has undergone revisions since its last presentation and is now ready for publication and online distribution.

Mr. Colona credited Megan Huffstutter, Sheila Reed, and Mr. May for their significant contributions to the manual's development. Mr. Moss moved to approve the manual for publication and was seconded by Chairman Moody. The Board unanimously approved the motion.



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*Comptroller*

### **TBOUR Annual Report**

Mr. Colona presented the TBOUR Annual Report, noting that while it has historically been published without Board presentation, the process is changing. Moving forward, the report will be brought to the Board at the beginning of each year for review and formal approval before publication. The report had been distributed separately from the main packet for Board consideration. Mr. Giles moved to approve the annual report and was seconded by Chairman Moody. The Board unanimously approved the report for publication.

### **Annual Information Report Verbal Changes**

Mr. Colona requested Board approval for a verbal modification to the Annual Information Report (AIR) to improve the accuracy of self-reported water loss data. Due to growing concern that some utilities are submitting unverifiable or inaccurate numbers, Board staff proposed a new field in the AIR requiring utilities to submit supporting documentation showing how they calculated water produced and water sold. This approach is designed to prevent the need for costly third-party audits, offering a more practical and cost-effective alternative while still increasing accountability.

#### **Discussion Highlights**

- Mr. Hampton inquired about the types of documentation required.
- Mr. Pelham clarified that acceptable documentation could include master meter readings or billing system totals and emphasized that utilities should already have this data on hand.
- Mr. Smith also asked for clarification, and Mr. Colona confirmed that the requirement will be intentionally broad, giving Board staff better insight into which utilities may lack basic operational oversight.

Mr. Pelham moved to approve the staff recommendation and Mr. Hampton seconded. The motion was unanimously approved.

### **Proposed Salary Study**

Mr. Colona requested Board approval to conduct a salary survey for utility managers across Tennessee's TBOUR-regulated entities. The goal is to gather confidential, anonymized compensation data to help utilities assess equitable pay standards, recognizing wide disparities in



JASON E. MUMPOWER  
*Comptroller*

manager salaries across similarly sized systems. The survey would include factors such as utility type, customer base, and revenue/expenses, while protecting identifying information under the Public Records Act. Mr. Colona emphasized that this effort is intended strictly for guidance, not for setting salaries, and that survey responses would be kept confidential but verified for accuracy.

#### Board Discussion Highlights

- Mr. Giles and Mr. Pelham supported the idea and recommended breaking down the data by utility type, region, and scale (e.g., number of connections, services provided).
- Mr. Smith and others asked about potential overlap with previous salary surveys conducted by TAUD and TVA-related organizations, and Mr. Colona confirmed this study would focus solely on manager-level salaries.
- Chairman Moody asked for clarification on what “anonymous” means in practice. Mr. May clarified that while data will be collected with identifiers, it will be protected from public disclosure under TCA § 10-7-504.

Mr. Purkey moved to authorize Board staff to conduct the salary study and was seconded by Chairman Moody. Mr. Hampton recommended using existing TVA salary studies as a starting point for structure and format. The motion was unanimously approved.

#### **Proposed Meeting Dates**

Mr. Colona presented the proposed TBOUR meeting dates for the upcoming year:

- Originally proposed dates: July 10, September 25, December 11, and March 12
- Board staff requested formal approval to adopt the schedule

#### Amendment and Discussion

- Mr. Smith noted a conflict on July 10 due to the TMEPA annual meeting, which both he and Mr. Britt Dye are scheduled to attend.
- The Board agreed to reschedule the July meeting to July 17, pending confirmation from Board staff. Mr. Colona and staff confirmed availability for the revised date.

Mr. Pelham moved to approve the proposed meeting dates with the amendment to move the July meeting to July 17 and was seconded by Mr. Hampton. The motion was unanimously approved.

#### **Recognition of Retirement of Tom Moss**

Before adjournment, Mr. Colona formally recognized Mr. Tom Moss, noting that this meeting marked his final appearance with the TBOUR after over 16 years of dedicated service. Mr. Moss





JASON E. MUMPOWER  
*Comptroller*

is set to retire in May, and Mr. Colona expressed appreciation for his longstanding contributions to the Board and the State of Tennessee.

### **Adjournment**

Mr. Pelham motions for the meeting to be adjourned at 4:48 p.m. Mr. Hampton seconded, and the motion carried unanimously.

