

Jason E. Mumpower *Comptroller* 

# Tennessee Board of Utility Regulation October 26<sup>th</sup>, 2023

IN THE MATTER OF:	) )
TOWN OF BULLS GAP	) ) TENN. CODE ANN. § 7-82-701 et seq. )
	) )

#### **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the Town of Bulls Gap ("the Entity") financially distressed status. The Entity is currently undergoing a large capital project that it believes will add customers to its customer base. The Entity was ordered by the Board in November of 2022 to complete a rate study. The Entity has contracted with MTAS to complete this rate study, but it is not completed at this time.

Based on Board staff's presentation and recommendations, the Board orders as follows:

1. By December 31, 2023 the Entity shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

ENTERED this \_\_\_\_ day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	)
	)
CLEARFORK UTILITY DISTRICT	) ) TENN. CODE ANN. § 7-82-701 <i>et seg.</i>
	)
	)
	,

# **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the Clearfork Utility District ("the Entity") pursuant to Tenn. Code Ann. § 7-82-701 et seq. The Entity remains under Board supervision for financial distress. The Entity was previously ordered to complete a rate study and a feasibility study, but did not have sufficient financial information for such a study. The Entity has made progress in this regard.

Based on staff's presentation and recommendation, the Board orders as follows:

- The Entity shall complete all provisions of the Utility Management Review Board's December 8,
   2022 order by January 31, 2024.
- 2. The Entity shall provide a completed feasibility study to board staff by March 31, 2024.
- 3. Should the Entity fail to comply with any directive in this order, Board staff and Counsel may issue subpoenas for the Entity's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance of this order. Board staff may withdraw or release any subpoenas issued if the Entity has complied with this order and there is no other cause to maintain the subpoena.

ENTERED this day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	)
COLD SPRINGS UTILITY DISTRICT	) ) TENN. CODE ANN. § 7-82-701 et seq. ) ) )

#### **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the Cold Springs Utility District ("the Entity") pursuant to Tenn. Code Ann. § 7-82-701 et seq. The Entity remains under Board supervision for financial distress. The Entity has provided board staff with a completed rate study but has not provided proof of the implementation of the resulting recommendations. The Entity has retained a lawyer that is determining the legality of the 5 customers that have water rights to the spring that is also used by the entity. The Entity is currently in discussion with the City of Mountain City regarding a potential merger.

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

- 1. By December 31, 2023, the Entity shall provide Board staff with proof of implementation of the recommendations of their most recent rate study, or a proposed plan of implementation.
- 2. By December 31, 2023 the Entity shall update Board staff regarding its attorney's opinion on whether it is in the Entity's best interest to pursue legal proceedings to settle the issue in regards to providing water at no cost to its water rights customers.
- 3. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Entity.

ENTERED this \_\_\_\_ day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	)		
EAST SEVIER COUNTY UTILITY DISTRICT	) ) TENN. CODE ANN. § 7-82-701 et seq. ) )		
ORDER			

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the East Sevier County Utility District ("the Entity") pursuant to Tenn. Code Ann. § 7-82-701 *et seq*. The city was placed under administrative review by the Utility Management Review Board and remains under Board jurisdiction for this reason.

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

- 1. The deadline for the Entity to send Board staff a copy of the Entity's contract with a 3<sup>rd</sup> party to complete a rate study and feasibility study is extended to April 30, 2024. The deadline for the studies to be completed, and the Entity to show implementation of the rate study, is extended to September 30, 2024.
- 2. By December 31, 2023, the entity shall file its Annual Information Report ("AIR").
- 3. Should the Entity fail to file its AIR, Board staff and Counsel may issue subpoenas for the Entity's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.
  - 4. Should the Entity file an AIR and there is no other reason the Entity's case should remain open, Board staff may close the Entity's case as to its AIR and release any outstanding subpoenas.

ENTERED this \_\_\_\_\_ day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	)
	)
TOWN OF GIBSON	) ) TENN. CODE ANN. § 7-82-701 <i>et seq.</i>
TOWN OF GIBSON	) TENN. CODE ANN. § 7-82-701 et seq.
	ý)
	) )

#### **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the town of Gibson ("the Entity") pursuant to Tenn. Code Ann. § 7-82-701 *et seq*. Board staff advised that the Entity was making progress with delinquent audits, and repaying transfers from the town's general fund to its water and sewer fund.

Based on staff's representations and recommendations, the Board orders as follows:

- 1. Beginning November 1, 2023, the Entity shall send Board staff monthly financial updates showing the Town's repayment of funds borrowed from the utility system's inter-fund balance. These updates should include bank statements, remaining balance, and the ordinance(s) approving the transfer of funds. The updates should be sent to the Board by the 1st of each month until the requirements of paragraph 2 are met. Board staff may request further documentation if needed.
- 2. Once the Entity shows that the full inter-fund balance has been repaid, Board staff may close the requirements listed in Paragraph 1 without further action by the Board.
- 3. If the Division of Local Government Audit is not able to confirm receipt of the fiscal years' 2021, 2022, and 2023 audits by December 31, 2023, the Entity shall provide Board staff an update regarding the delinquent audits by January 31, 2024.

4. Should the Entity fail to comply with any directive in this order, Board staff and Counsel may issue subpoenas for the Entity's governing body and manager to appear in-person before the Board at its next meeting. Board staff may withdraw or release any subpoenas issued if the Entity has complied with this order and there is no other cause to maintain the subpoena.

ENTERED this day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	
HALLSDALE-POWELL UTILITY DISTRICT	) ) TENN. CODE ANN. § 7-82-701 et seq. )
	)
	)

#### **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the status of the Hallsdale-Powell Utility District ("the Entity"). The Board previously ordered an administrative review of the Entity. Based on Board staff's report, the Board does not find evidence of financial or managerial misconduct to take any action regarding the Entity, or to maintain an administrative review of the Entity.

Accordingly, the Board orders that the staff close the administrative review of the Entity.

ENTERED this 4 day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	) )
TOWN OF HORNSBY	) ) TENN. CODE ANN. § 7-82-701 <i>et seq.</i> )
	) )

#### **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the financially distressed status of the Town of Hornsby ("the Entity"). The Water and Wastewater Financing Board ordered an investigation into the Entity's managerial, technical, and financial capacity on or about March 23, 2023. Board staff performed an administrative review of the Entity. Staff's report shows that Hornsby has failed to demonstrate the ability to maintain a well-managed utility system. It may be in the best interest of the Entity's rate payers for the Town of Hornsby's utility system to merge with a surrounding utility system. As set out below, at this time the Board orders that such a merger be studied. This is not an order to merge, only to study the feasibility and benefits of a merger.

Based on Board staff's report and recommendations, the Board orders as follows:

- 1. The Entity shall contract with a qualified expert to carry out a feasibility study for a merger with another utility system in the area by December 31, 2023.
- 2. The Entity shall provide a completed feasibility study to board staff by June 30, 2024.

ENTERED this 4 day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	)
	)
TOWN OF LYNNVILLE	) ) TENN. CODE ANN. § 7-82-701 et seq.
	)
	)
	)

# **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the town of Lynnville ("the Entity") pursuant to Tenn. Code Ann. § 7-82-701 *et seq*. Board staff has experienced difficulty working with the Entity. The Tennessee Association of Utility Districts ("TAUD") is conducting a rate study that will implement the most recent information available but has not been retained to conduct a feasibility study.

The Board's July 19, 2023 order ("the Order") required Board staff to subpoen the Entity's governing body and utility manager if the Entity did not comply with the Order. The Entity failed to comply with all the requirements of the Order. The following individuals were subpoened to attend the October 26, 2023 meeting:

Robert E. White, Mayor Carnell McCandless, Vice Mayor

Patty Patterson, Alderman Kerry Duke, Alderman

Carrie Riner, Alderman Edwin Bowman, Alderman

Floyd Pratt, Alderman Christy Tolley, Acting Utility Manager

Patty Patterson, Floyd Pratt<sup>1</sup>, Carnell McCandless, Kerry Duke, and Edwin Bowman did not attend the meeting.

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

- 1. The deadline for the Entity to provide proof of engagement with a qualified third party to conduct a rate study and a feasibility study is extended from September 29, 2023 to December 31, 2023. All other deadlines are extended 30 days, or as deemed appropriate by Board staff.
- Board staff will refer the individuals who did not comply with the Board's subpoena to the
   Office of the Attorney General for the State of Tennessee.

ENTERED this day of November, 2023.

Greg Moody Chair

<sup>&</sup>lt;sup>1</sup> Counsel to the Board notes that Floyd Pratt no longer serves as an alderman for Lynnville and no longer lives in Tennessee. As Mr. Pratt was subpoenaed in his capacity as alderman, the subpoena no longer applied to him, and did not apply as of the October 26, 2023 meeting.

IN THE MATTER OF:	)
	)
MADISON SUBURBAN UTILITY DISTRICT OF DAVIDSON	) TENN. CODE ANN. § 7-82-701 et seq.
COUNTY	)
	)

# **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") conducted an informal hearing, pursuant to Tenn. Code Ann. § 7-82-702(b), brought by complainant Greystar Real Estate Partners ("Greystar") against the Madison Suburban Utility District of Davidson County ("MSUD"). Greystar's complaint centers around the addition of a "system development fee" to the other fees Greystar owed to MSUD to proceed with a development in MSUD's service area.

The Board notes the following significant facts:

- 1. The system development fee was added after MSUD sent Greystar an initial invoice (Invoice No. 000903, "the Invoice") on March 20, 2023.
- 2. The invoice, both before and after the system development fee was added, included a total of \$46,860 in other fees or charges. These fees are not disputed and are not the subject of Greystar's complaint.
- 3. The system development fee was \$263,289.38.
- 4. The system development fee was written by hand onto the Invoice. The date on the Invoice was not changed, although "as of 12 July 2023" was also written by hand on the Invoice.

- 5. MSUD did not provide notice to any parties with outstanding invoices that a significant new fee would be added or discussed at a board meeting.
- 6. The system development fee became effective approximately three days after it was passed by MSUD's governing body.
- 7. MSUD's standard practice is to give significantly greater than three days' notice of rate and fee changes.
- 8. Invoices sent to Greystar included the warning that "prices [are] subject to change if fees quoted are not paid within thirty (30) days of quoted date . . .".
- 9. An estimated eighteen parties had invoices outstanding, to which invoices a system development fee was added. Four of these parties have paid the invoice including the system development fee.

The Board supports system development fees in general, and specifically does not address the amount of the fee itself; however, the Board is concerned that the system development fee applied in this case was applied with only three days' notice, and without a warning to parties who may have relied upon a previously quoted fee. The lack of notice, combined with the amount of the fee relative to the previously quoted fees, is concerning, even considering the warning that the prices were subject to change after 30 days. The Board questions the justness and reasonableness of the system development fee as applied to Greystar and any other similarly situated parties; that is, any parties pursuing development in MSUD's service area who had been sent invoices prior to the imposition of the system development fee, and who did not receive advance notice that the fee would go into effect. The Board does not question the system development fee in general, only as applied here.

Based upon the testimony and arguments given by Greystar and MSUD, the Board orders

as follows:

Board staff shall write to MSUD's governing body and express the Board's concerns 1)

regarding the imposition of the system development fee to Greystar and any similarly

situated parties. The letter shall ask MSUD's governing body to consider a remedial

measure for Greystar and any similarly situated parties, up to waiving the fee for parties

with outstanding invoices at the time the system development fee was implemented.

Board staff shall draft a report to the Board identifying the parties similarly situated to 2)

Greystar, the amounts of the fees assessed to those parties, and a justification from MSUD

or it's governing body as to why the system development fee was implemented with

significantly less notice than other fees.

3) This matter is continued to the next regularly scheduled board meeting, subject to

paragraph 4.

Should Board staff determine that the matter has been resolved as to Greystar and all 4)

similarly situated parties, Board staff are not required to generate a report, the matter does

not need to be brought back to the Board at the next regularly scheduled meeting, and

Board staff may close the complaint case.

ENTERED this 4 day of November, 2023.

Tennessee Board of Utility Regulation

3

IN THE MATTER OF:	)
	)
TOWN OF MASON	) TENN. CODE ANN. § 7-82-701 et seq
	)
	)
	)

#### **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the Town of Mason's utility system ("the Entity"), pursuant to Tenn. Code Ann. § 7-82-701 et seq. The Board's previous order required the Entity to contract with a qualified party to study the feasibility of a merger between the Entity and a surrounding utility system. The Entity did not contract with a party to conduct this study, but the Entity's governing body¹ and a representative from Alliance Water Resources appeared at the meeting to explain this failure. The Board maintains that it is in the best interest of the Entity's ratepayers to study the feasibility of a merger with a surrounding utility system. It is important to note that the Board is only requiring a study of the feasibility of a merger, not ordering a merger.

Based on the testimony offered, the Board orders as follows:

- 1) The Entity shall engage a qualified third-party consultant to analyze the feasibility of a merger with surrounding utility systems. The Entity shall send Board staff proof that the Entity has contracted with a qualified 3<sup>rd</sup> party within 45 days of the date of this order.
- 2) The feasibility study will be completed by April 1, 2024. Board staff may grant a single extension of this deadline of up to 90 days.

ENTERED this \_\_\_\_\_ day of November, 2023.

Greg Moody, Chair

<sup>&</sup>lt;sup>1</sup> One alderman was subpoenaed and did not attend the meeting, but the Board was advised that the individual was delayed in transit and intended to attend the meeting.

IN THE MATTER OF:	
MOORESBURG UTILITY DISTRICT	) ) TENN. CODE ANN. § 7-82-701 <i>et seq</i> . )
	)
	)

#### **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the Mooresburg Utility District's ("the Entity") financially distressed status. The Entity has partially complied with the Utility Management Review Board's December, 2022 order. The Entity contracted with Jackson Thornton to conduct a rate study, which rate study was completed in July of 2023. The governing body has not implemented the recommendations outlined in the rate study, as required by the December, 2022 order. Members of the Entity's governing body appeared before the Board to explain their non-compliance. Following their testimony, the Board maintains that the Entity should begin implementing the recommendations outlined in the rate study.

Based on testimony at the meeting and Board staff's recommendation, the Board orders as follows:

1. By April 1, 2024 the Entity shall provide Board staff with the proof of implementation of the resulting recommendations or a proposed plan of implementation.

ENTERED this \_\_\_\_ day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	)		
TOWN OF OLIVER SPRINGS	) ) TENN. CODE ANN. § 7-82-701 <i>et seq.</i> )		
	) )		
ORDER			

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the Town of Oliver Springs ("the Entity"). The Entity was previously found to have non-revenue water loss in excess of 70%. The Entity is under new leadership, and steps have been taken to remedy the excessive water loss. The Entity is in the process of having a rate study conducted, but as of the meeting date had not contracted with a qualified professional to conduct a study into the feasibility of a merger with a surrounding utility system. It is noted that a rate study and a feasibility study are different, and likely require a different contract, or an addendum to an existing contract.

Based on Board staff's representations and recommendations, the Board orders as follows:

- 1. By December 31, 2023 the Entity shall send Board staff proof that all members of the utility system's governing body have complied with the applicable training requirements.
- 2. The Entity shall, within 45 days, contract with a qualified professional to conduct a study into the feasibility of a merger between the Entity and a surrounding utility.
- 3. Except as specified herein, this Order does not supersede or withdraw the requirements of any previous orders.

ENTERED this day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	)
	)
	)
PLATEAU UTILITY DISTRICT	) TENN. CODE ANN. § 7-82-708
	)
	)
	)

#### **ORDER**

On October 26, 2023, the Plateau Utility District ("the District") appeared before the Tennessee Board of Utility Regulation ("the Board") to request a grant from the Utility Revitalization Fund ("the URF").

The District is in the process of absorbing/merging with the City of Wartburg's wastewater system ("Wartburg"). The District advised the Board that the grant from the URF would be used to pay a portion of the wastewater system's debts that the District will assume, and to expense a portion of the depreciation for which the District will be obligated.

The Board finds that the District and the merger will meet all statutory requirements at the time the requested payments are made. Were the Board to grant the District's request in full the URF would be severely depleted. The Board finds it appropriate to grant the District's request in part, as ordered below.

All testimony and evidence considered; the Board orders as follows:

1. A one-time grant of \$300,000 shall be issued from the URF to the District to be used to retire \$300,000 of debt obligations previously held by Wartburg.

2. A series of \$40,000 grant payments over the course of 5 years shall be issued from the URF to the District. These funds may be used for any expenses regardless of whether they are operating expenses, capital expenses, or debt service.

3. The first payment of \$340,000 shall be issued within 90 days of Board staff receiving notification from the District indicating the merger between the District and Wartburg's wastewater system has been completed.

4. Subsequent payments shall be made within 90 days of the first day of the District's fiscal year.

5. The District shall send Board staff proof that the \$300,000 grant from the URF was used to retire a portion of Wartburg's debt obligations.

6. The District shall comply with any requests for information from Board staff regarding the use of grants from the URF.

7. The District may use payments to mitigate operating expenses, consistent with the other requirements of this order, and the Comptroller of the Treasury may consider grant payments to be operating revenue for purposes of determining whether the District is in financial distress, as set out in Tenn. Code Ann. § 7-82-708(f).

ENTERED this day of November, 2023.

IN THE MATTER OF:	) )
CITY OF SOUTH FULTON	) ) TENN. CODE ANN. § 7-82-701 et seq. )
	) )

# **ORDER**

On October 26, 2023, City of South Fulton ("the Entity") was referred to the Water and Wastewater Financing Board, now the Tennessee Board of Utility Regulation, for financial distress following its fiscal year 2017 audit. The Entity implemented the rates that were provided in a rate study performed by TUA; however, the entity did not complete the 2021 fiscal year with a positive change in net position as projected in the rate study. The Entity has separated its Water and Sewer Fund into two different funds. This resulted in a positive change in net position in the Entity's 2022 financial report for the Water Fund, but the Sewer Fund reported a decrease in net position of \$231,557. It is appropriate to order that a new rate study be conducted to determine the appropriate rates, and any other changes necessary to improve the Entity's financial health.

Based on Board staff's representations and recommendations, the Board orders as follows:

- 1. The Entity shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
  - a. a review of the capitalization policy, including any recommended modifications;
  - a review of the debt management policy, including any recommended modifications;

- c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
- a review of relevant utility fees including but not limited to connection or tap fees,
   including any recommended modifications;
- e. verification that all governing body members of the utility are in compliance with all relevant training requirements; and,
- f. a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure.
- 2. By December 31, 2023, the Entity shall send Board staff a copy of the contract between the Entity and the qualified expert who is to perform the tasks in paragraph 1.
- 3. By June 30, 2024, the Entity shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
- 4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Entity

ENTERED this \_\_\_\_ day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	)
	)
	)
MULTIPLE ENTITIES	) TENN. CODE ANN. § 7-82-701 et seq.
	) Public Chapter 0463
	)
	)

#### **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the entities below pursuant to Tenn. Code Ann. § 7-82-701 *et seq*.

Town of Atoka

Town of Brighton

Town of Gates

Town of Gordonsville

Madison Suburban Utility District

City of Mitchellville

Town of Toone

Town of Henning

The aforementioned entities have complied with all Board directives in an attempt to resolve its financial distress. The Board orders that Board staff continue to review the entities audited financial statements for compliance until Board staff believes the entity is postured so as to be released from Board oversight. The entities will continue to follow board directives to ensure compliance with relevant state statutes.

ENTERED this \_\_\_\_\_ day of November, 2023.

Greg Moody, Chair

IN THE MATTER OF:	) )
MULTIPLE ENTITIES	) TENN. CODE ANN. § 7-82-701 et seq. ) Public Chapter 0463

# **ORDER**

On October 26, 2023, the Tennessee Board of Utility Regulation ("the Board") reviewed the entities below pursuant to Tenn. Code Ann. § 7-82-701 et seq.

Town of Atwood

City of Clifton

City of Clinton

Lincoln County

Lone Oak Utility District

Town of Maury City

Roan Mountain Utility District

Town of Vanleer

Woodlawn Utility District

The aforementioned entities have complied with Board directives to remedy financial distress.

Based on staff representation and recommendations, the Board orders the following:

- 1. The Entity is officially released from the Board's oversight for financial distress.
- 2. Staff and Counsel shall close the case.

ENTERED this \_\_\_\_\_ day of November, 2023.

Greg Moody, Chair