

# Tennessee Board of Utility Regulation

**Ben Johnson**

**Sr. Financial Analyst**

*Local Government Finance*

**TENNESSEE COMPTROLLER OF THE TREASURY**



# Roadmap

1. **TBOUR Introduction**
2. **Financial Distress**
3. **Annual Information Report**
4. **Water Loss**
5. **Training**
6. **Administrative Review**
7. **Merger Authority**
8. **Customer Complaints**

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# Utility Staff

Assistant Director: Ross Colona

Email: [Ross.Colona@cot.tn.gov](mailto:Ross.Colona@cot.tn.gov)

Phone: 615.401.7943

Senior Analyst: Ben Johnson

Email: [benjamin.s.johnson@cot.tn.gov](mailto:benjamin.s.johnson@cot.tn.gov)

Phone: 615.747.8831

East Tennessee: Charlie Lester

Email: [Charlie.lester@cot.tn.gov](mailto:Charlie.lester@cot.tn.gov) [@cot.tn.gov](mailto:@cot.tn.gov)

Phone: 615.401.7762

Middle Tennessee: Meghan Huffstutter

Email: [meghan.huffstutter@cot.tn.gov](mailto:meghan.huffstutter@cot.tn.gov)

Phone: 615.747.5379

West Tennessee: Nate Fontenot

Email: [nate.fontenot@cot.tn.gov](mailto:nate.fontenot@cot.tn.gov)

Phone: 615.747.5238

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# Tennessee Board of Utility Regulation

PC0463 combined the:

Water and Wastewater Financing Board

Roughly 280 Utilities

Municipal, County, Authority Systems

Utility Management Review Board

Roughly 170 Utility Districts

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# Who makes up the Board?

Greg Moody, Chair- Comptroller or Comptroller Designee

Tom Moss, Vice-Chair- TDEC Commissioner or Designee

Edwin Carter, Comptroller Appointee

Steve Stone, Middle TN Natural Gas UD, House Speaker Appointee

David Purkey, Morristown Utility System, Senate Speaker Appointee

6 Governor Appointees

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# Who makes up the Board?

## Governor Appointees

Candace Vannasdale, Harriman Utility Board

Alex Smith, Humboldt Utility Authority

Bruce Giles, First UD of Knox

Eugene Hampton, Metro Nashville

Vacant, Municipal/County Utility

Anthony Pelham, Warren County Utility District

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# What do we regulate?

**Water, Sewer, and Natural Gas Local Government Utility  
Compliance with State Laws surrounding:**

**Financial Distress**

**Water Loss, 40% by volume**

**Training**

**Managerial, Technical, and Financial Capacities**

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# Financial Distress

Two Years of Loss

Deficit Net Position

Default on Debt

2 Years of Delinquent Audits\*

Illicit Transfer of Funds\*

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# Illicit Transfer of Funds

An employee or governing body member of a utility under the TBOUR has 15 days to report an unauthorized transfer after they become aware of the unauthorized transaction.

Board staff reviews audits to find transfers that have not been authorized.

# Financial Distress Process

Questionnaire

Order Rate Study and Policy Review

Order Implementation

Update Cycle- 40 Entities

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# Annual Information Report

Utilities under the Board must complete an Annual Information Report to submit to the Comptroller's Office.

If a utility refuses to submit the report, the TBOUR will subpoena the manager and governing body to come to the next Board meeting to explain why they refuse to comply with the law.

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# Water Loss

Non-Revenue Water must be less than 40%.

Water Produced/Purchased Minus Water Sold

Reported on the Annual Information Report.

# Water Loss Process

Referral to the Board

Completion of the AWWA 6.0.

Submission of a Water Loss Correction Plan

Board staff reviews AIR for compliance.

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# Water Loss- What's Next

Validity Score

Finding a solution to also consider the cost of the water being lost.

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# Training

Governing Body Members must take 12 hours of training within one year of appointment or election.

After completion of the initial 12 hours, must receive 12 hours every 3 year cycle.

Must file an annual training statement to be held locally.

# Administrative Review

Previously called Board Investigations.

Evaluates the utility's ability to comply with state and federal statute.

Managerial, Financial, and Technical Analyses

TBOUR can order an array of corrective measures.

8 Utilities Currently Under Administrative Review

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# Merger Authority

Force mergers between any types of utilities.

Merger must be feasible.

Must benefit the worse off utility and benefit or have a net neutral effect on the better off utility.

# Merger Process

1. Board orders feasibility study.
2. Board staff holds a public hearing in the area of the utility.
3. Board staff presents feasibility study and hearing results to TBOUR.
4. Board orders the utilities to enter into good faith negotiations
5. Utilities execute a merger agreement

Enforceable through the Chancery Court  
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# Utility Revitalization Fund

Used to mitigate the costs of mergers between utilities.

Is not removed from statutory change in net position effect.

Depreciation

# Customer Complaints

**Must first be heard by the local board.**

**Board staff receives complaint first.**

**Complainant and Utility present case to TBOUR.**

**TBOUR can order corrective actions.**

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# Informal Hearings

“The justness and reasonableness of a utility system's rates, fees, or charges”

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# Informal Hearings

“The justness and reasonableness of a utility system's requirement that a customer or developer build infrastructure or fixtures to be dedicated to the utility system; ”

# Informal Hearings

“The failure of a utility system to adopt and enforce policies or rules necessary for the efficient and financially responsible operation of the utility system, including policies regarding ethics or financial controls, or for water loss, water leak adjustment, purchasing, or other industry standard policies; ”

# Informal Hearings

“The inadequacy of a utility system's policies regarding ethics or financial controls, or for water loss, water leak adjustment, purchasing, or other industry standard policies; ”



# Failure to Extend Service

“The failure of a utility system to offer or extend utility service to a customer:

- (a) Located within the utility system's covered area;
- (b) Located within an area in which the utility system offers similar services;
- (c) Located within an area in which the utility has the infrastructure to offer similar services; or ”

# Failure to Extend Service

“The utility system has the affirmative burden to show that:

(a) It does not have the capacity to serve the customer;

(b) Service to the customer is not economically feasible;

or

(c) Service is not in the best interest of the utility and its existing customers.”

# What's Next?

Changes to Water Loss monitoring to consider Validity Score

Changes to the Annual Information Report

More Customer Complaints in front of the Board, such as...

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# Inside and Outside Rates

Rates must be reasonable and justifiable

Many Municipal Systems have rates based on the City Boundary

I/O rates haven't been evaluated in years in many cases

# Questions?



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