



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
Division of Local Finance  
Utility Management Review Board  
Suite 1700 James K. Polk State Office Building  
505 Deaderick Street Nashville, Tennessee 37243-0274  
Phone (615) 401-7976 Fax (615) 532-5232

January 13, 2009

The Honorable Phil Bredesen  
Governor of Tennessee  
First Floor, State Capitol  
Nashville, TN 37243

Dear Governor Bredesen:

The Utility Management Review Board (Board) is submitting to you its annual report for 2008.

On behalf of each member of the Board, I would like to extend our appreciation to the ladies and gentlemen of the Comptroller of the Treasury and the Tennessee Association of Utility Districts for their valuable contributions to the Board this year. Without their assistance, the Board would not have been successful.

The goal of the Board is to follow our legislative mandates and to extend our services to the citizens of the State of Tennessee. We appreciate your continued confidence in and support of the Board. If I, or any member of the Board, can be of further assistance to you and your staff, please feel free to contact me at (423)209-6150.

Sincerely,

David Norton  
Chairman

Attachments

Cc: Honorable John G. Morgan, Comptroller of the Treasury

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

January 2008 through December 2008

Prepared by

The Utility Management Review Board  
and  
The Comptroller of the Treasury  
January 2009

## **ANNUAL REPORT FOR 2008**

The 95<sup>th</sup> General Assembly created the Utility Management Review Board (Board) in 1987. The State of Tennessee has approximately 185 utility districts. The Board promulgated its rules and regulations and began hearing cases in January 1989. The rules were revised in December 1994 and are currently in the process of another revision. On May 3, 2007, Public Chapter 86 was signed transferring the administrative responsibility of the Board to the Comptroller of the Treasury.

The Division of Municipal Audit, Comptroller of the Treasury, refers financially distressed utility districts to the Board. Financially distressed utility districts are defined as having a deficit total net assets in any one year, having a negative change in net assets for a period of three consecutive years, or are currently in default on any debt instruments.

The Comptroller of the Treasury has entered into a contract with the Tennessee Association of Utility Districts (TAUD) to provide assistance and recommendations to the financially distressed utility districts in order to comply with the law.

The Board is also responsible for serving as an appeals board between the customer and the local Board of Commissioners of the utility district. Staff received 150 complaints in 2008. Two of the complaints are scheduled for review by the Board in February 2009. The remainder of the complaints were resolved by Board staff.

During the four meetings held in 2008, eighteen case studies, one status report, and six compliance report were presented to the Board. Five petitions were submitted for comment by the Board – one for change in commissioner selection, one for expansion, one for merger, and two to allow the districts to provide sewer and or natural gas service.

If the plan as presented by the district does not achieve financial compliance, the Board monitors the cases to determine if the plans are being followed. If not, the Board requires the district to meet with the Board to explain what steps need to be taken to solve their financial distress. Of the 143 utility districts which have appeared before the Board in its twenty year existence for financial distress, only 15 remain under the jurisdiction of the Board. This reflects a compliance rate of 90%.

In 1989, the General Assembly created the Utility Relocation Loan Program (URLP). This legislation was enacted to assist cities and utility districts that require financial assistance to relocate utility lines due to highway construction by the Tennessee Department of Transportation. The Board was designated as the agency to recommend loans to the State Funding Board. There were no loan requests submitted to the Board during 2008. Currently there are four outstanding loans. The available balance in the loan program on December 31, 2008 was approximately \$5,972,712.

During the 2007 session, the General Assembly authorizes a utility district or water, wastewater or gas authority to adopt its own ethics policy instead of being subject to the policy of the county. Legislation passed that required the Board to review and approve the TAUD model of ethical standards before the model could be adopted by any utility district or water, wastewater or gas authority. The Board completed this mandate on August 2, 2007. If a district or authority chooses not to adopt the TAUD model, it must adopt a policy which must be determined to be more stringent by the Board. There were no requests to review any ethics policies in 2008.

Also during the 2007 session, legislation was passed which required the Utility Management Review Board to determine an acceptable percentage for unaccounted for water loss, requiring a rulemaking process. Under the Uniform Administrative Procedures Act, the rulemaking hearing was held on December 5, 2007. The process continued during 2008.

On September 16, 2008, staff to the Board participated in a Sunset public hearing before the joint subcommittee on Agriculture and Natural Resources. That subcommittee voted to continue the Board for six years. Legislation will be addressed during 2009 to adopt that vote.

**CASES PRESENTED  
TO THE  
UTILITY MANAGEMENT REVIEW BOARD  
DURING 2008**

**Utility District**

**County**

**Case Studies**

Arthur Shawanee Utility District	Claiborne
Bedford County Utility District	Bedford
East Fork Utility District	Overton
Gibson County Municipal Water District	Gibson
Humphreys County Utility District	Humphreys
Lakeview Utility District	Hawkins
Lone Oak Utility District	Sequatchie
Mooresburg Utility District	Hawkins
North Bledsoe Utility District	Bledsoe
Northwest Clay Utility District	Clay
Riceville Utility District	McMinn
Sale Creek Utility District	Hamilton
Second South Cheatham Utility District	Cheatham
South Elizabethton Utility District	Carter
Surgoinsville Utility District	Hawkins
Sylvia-Tennessee City – Pond Utility District	Dickson
Upper Cumberland Utility District	Cumberland
Webb Creek Utility District	Sevier

**Status Reports**

Iron City Utility District	Lawrence
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**Compliance Reports**

Calhoun-Charleston Utility District	McMinn/Bradley
East Fork Utility District	Overton
Fall River Utility District	Lawrence
Northeast Lawrence Utility District	Lawrence
South Side Utility District	Smith
Surgoinsville Utility District	Hawkins

**Petitions**

Glen Hills Utility District	Greene
To provide sewer and natural gas service	
Hardeman-Fayette Utility District	Hardeman/Fayette
To provide sewer service	
North Anderson County Utility District	Anderson
To consolidate with Anderson County Water Authority	
Sunbright Utility District	Morgan
To change commissioner selection method	
West Warren-Viola Utility District	Warren
To expand service area	

**Complaints received by staff**

By telephone	112
By e-mail	5
By letter	4
By fax	1
From website	1
From Tennessee Regulatory Authority	27

**TAUD Contract**

On site visits	144
Hours on contract	707

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

**Utility District**

**County**

Bedford County Utility District	Bedford
Clay County Utility District	Clay
Hornbeak Utility District	Obion
Iron City Utility District	Lawrence
Lake County Utility District	Lake
Lakeview Utility District	Hawkins
Lone Oak Utility District	Sequatchie
Mooresburg Utility District	Hawkins
Riceville Utility District	McMinn
Samburg Utility District	Obion
Sunbright Utility District	Morgan
Tarpley Shop Utility District	Giles
Upper Cumberland Gas Utility District	Cumberland
Webb Creek Utility District	Sevier
West Point Utility District	Lawrence

**CURRENT MEMBERS  
OF THE  
UTILITY MANAGEMENT REVIEW BOARD**

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

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

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

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

Mr. Ken Pointer  
Tennessee Department of Environment and Conservation

Mr. Ray Smith  
West Tennessee Public Utility District, Commissioner  
Carroll County

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

Mr. Ron West  
Walden's Ridge Utility District, General Manager  
Hamilton County

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

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

Mr. David Bowling  
Director, Division of Local Finance

Ms. Joyce Welborn  
Board Coordinator

Mr. Bobby Lee  
General Counsel to the Comptroller

Mr. Dennis Dycus  
Director, Division of Municipal Audit

Mr. Bill Case  
Manager, Division of Municipal Audit