

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 4, 2016

IN RE:

**PETITION OF TENNESSEE WASTEWATER
SYSTEMS, INC. FOR APPROVAL OF SPECIAL
CONTRACT**

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**DOCKET NO.
16-00015**

ORDER GRANTING PETITION FOR RECONSIDERATION

This matter came before Vice Chairman Robin L. Morrison, Director Herbert H. Hilliard, and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the “Authority”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on September 12, 2016, for consideration of the *Petition for Reconsideration* of the Authority’s August 29, 2016 Order filed by Tennessee Wastewater Systems, Inc. (“TWSI”) on September 6, 2016.

BACKGROUND

On February 4, 2016, TWSI filed the *Petition of Tennessee Wastewater Systems, Inc. for Approval of Special Contract* (“*Petition for Approval of Special Contract*”). In sum, TWSI asked the Authority to approve a Special Contract (“Contract”) between it and Signature Homes, LLC (“Signature” or the “Developer”) pursuant to TRA Rule 1220-4-1-.07. Signature is a developer that seeks to develop a residential subdivision consisting of approximately 100 single family residential homes located on approximately 252 acres within Williamson County, Tennessee, where TWSI currently holds a Certificate of Convenience and Necessity (“CCN”) for this property and has a regional treatment facility capable of providing wastewater service to the same. Signature would like TWSI to oversee and coordinate the engineering, design,

construction and permitting of the wastewater system for the planned subdivision.¹ The hearing on the *Petition for Approval of Special Contract* was held on July 11, 2016, and the panel voted unanimously to approve the Contract. Following the issuance of the *Order Approving Special Contract* (“Order”) on August 19, 2016, the Company filed the *Petition for Reconsideration* on September 6, 2016.²

PETITION FOR RECONSIDERATION

In its *Petition for Reconsideration*, TWSI seeks reconsideration of two issues: First, TWSI asserts that the *Order* contradicts the Authority’s own accounting rules with respect to booking the capacity development fee and per lot fee as regulated revenue.³ Second, TWSI asserts the *Order* is not consistent with generally accepted accounting practices (“GAAP”) in that it requires the revenue from this contract be booked as “above the line” with any excess placed in a “below the line” reserve account. Per GAAP, revenue can only be categorized as either “above the line” or “below the line.” It cannot be treated as both.⁵ Finally, the Company requests that the Authority reconsider the accounting requirements in the *Order* so that the requirements are consistent with the Authority’s accounting rules for wastewater utilities and GAAP; or in the alternative to granting the *Petition for Reconsideration*, postpone action on the *Petition for Approval of Special Contract* and allow the Utility’s accountants to meet with the TRA accounting staff to try to resolve the accounting issues.⁶

September 12, 2016 Authority Conference

Tenn. Code Ann. § 4-5-317 sets forth the procedure for reconsideration. Pursuant to subsection (a) of the statute, any party, within fifteen days after entry of a final order, may file a

¹ *Petition for Approval of Special Contract*, p. 1 (February 4, 2016).

² *Order Approving Special Contract*, pp. 4-5 (August 19, 2016).

³ *Petition for Reconsideration*, p. 2 (September 6, 2016).

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* at 4.

petition for reconsideration stating the specific grounds upon which relief is requested. Under subsection (c), if no action has been taken on the petition within twenty days, the petition is deemed to have been denied. If an order granting the petition and setting the matter for further proceedings is issued, pursuant to subsection (d) the new proceeding is limited to argument upon the existing record, and no new evidence can be introduced unless the party proposing such evidence shows good cause for such party's failure to introduce the evidence in the original proceeding.⁷

During the regularly scheduled Authority Conference held on September 12, 2016, the panel considered the *Petition for Reconsideration*, after due consideration, and voted unanimously to grant the *Petition for Reconsideration*, based on the procedure set forth in Tenn. Code Ann. § 4-5-317 and to address the merits of the reconsideration at a future Authority Conference.

IT IS THEREFORE ORDERED THAT:

The *Petition for Reconsideration* filed by Tennessee Wastewater Systems, Inc. is granted, and the merits of the *Petition for Reconsideration* will be considered by the Authority at a future conference.

Vice Chairman Robin L. Morrison, Director Herbert H. Hilliard and Director Kenneth C. Hill concur.

ATTEST:



Earl R. Taylor, Executive Director

⁷ Tenn. Code Ann. § 4-5-317.