

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 10, 2017

IN RE:

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

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**DOCKET NO.
16-00015**

ORDER AFFIRMING AND CLARIFYING PREVIOUS ORDER

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” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 12, 2016 for consideration of the *Petition for Reconsideration* filed by Tennessee Wastewater Systems, Inc. (“TWSI” or the “Company”) on September 6, 2016.

BACKGROUND AND PETITION

On February 4, 2016, TWSI filed a Petition asking the Authority to approve a Special Contract between it and Signature Homes, LLC (“Signature”) pursuant to TRA Rule 1220-4-.1-.07. Signature is a developer which desires to develop a residential subdivision within Williamson County, Tennessee, where TWSI currently holds a Certificate of Public Convenience and Necessity (“CCN”).¹ At the Authority Conference held on July 11, 2016, the voting panel assigned to this docket approved the Special Contract. The panel ordered the Company to book the \$6,000 per lot capacity development fee and the \$1,200 per lot fee to recover certain costs

¹ *Petition*, p. 1 (February 4, 2016).

incurred by the Company as above-the-line regulated revenues for purposes of calculating the Company's future revenue requirements.²

Following approval of the Special Contract, the Company filed its *Petition for Reconsideration* requesting the Authority to reconsider the accounting requirements "so that the requirements are consistent with the Authority's accounting rules for wastewater utilities and generally accepted accounting practices; or in the alternative to granting the Petition, postpone action on the Petition and allow the Utility's accountants to meet with the TRA accounting staff to try to come to a resolution of these accounting issues."³ TWSI requests to book the \$6,000 per lot capacity development fee as contributions in aid of construction, and to book the \$1,200 per lot fee for reimbursement of certain expenses either as regulated revenue with an opportunity to realize a return on the revenue or as unregulated income to be placed in a reserve account.⁴

At the Authority Conference held on September 12, 2016, the voting panel granted the *Petition for Reconsideration*, based on the procedure set forth in Tenn. Code Ann. § 4-5-317, and decided to address the merits of reconsideration at a future Authority Conference.⁵

FINDINGS AND CONCLUSIONS

In its *Petition for Reconsideration*, TWSI has asked the Authority to reconsider the accounting treatment of the \$6,000 per lot capacity development fee and the \$1,200 per lot fee to recover certain costs which were part of the approved Special Contract. Based on a review and reconsideration of the entire administrative record, the panel found that the Special Contract in this docket, which was approved by this panel at the July 11, 2016 Authority Conference, involves regulated operations, and this panel's decision to require regulatory accounting

² *Order Approving Special Contract*, p. 5 (August 19, 2016).

³ *Petition for Reconsideration*, p. 4 (September 6, 2016).

⁴ *Id.* at 3.

⁵ *Order Granting Petition for Reconsideration*, p. 3 (November 4, 2016).

treatment of the related Special Contract revenues is appropriate. Further, the panel found that to the extent the *Petition for Reconsideration* seeks clarification, the \$6,000 per lot capacity development fee found in the Special Contract shall be recorded as “contributions in aid of construction” pursuant to Account No. 271 of the Uniform System of Accounts for Class A Wastewater Utilities published by the National Association of Regulatory Utility Commissioners, and the \$1,200 per lot fee for all lots presented for final plat signing shall be recorded as “guaranteed revenues” pursuant to Account No. 530 of the same Uniform System of Accounts. Thereafter, the panel found that in all other respects, the *Petition for Reconsideration* is without merit and voted unanimously that it be denied.

IT IS THEREFORE ORDERED THAT:

1. The *Petition for Reconsideration* filed by Tennessee Wastewater Systems, Inc. on September 6, 2016, is denied.
2. The Authority’s *Order Approving Special Contract* entered on August 19, 2016, is hereby affirmed.
3. The Authority’s *Order Approving Special Contract* is hereby clarified as follows:
The \$6,000 per lot capacity development fee found in the Special Contract shall be recorded as “contributions in aid of construction” pursuant to Account No. 271 of the Uniform System of Accounts for Class A Wastewater Utilities published by the National Association of Regulatory Utility Commissioners, and the \$1,200 per lot fee for all lots presented for final plat signing shall be recorded as “guaranteed revenues” pursuant to Account No. 530 of the same Uniform System of Accounts.

4. Any person who is aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.

5. Any person who is aggrieved by the Authority's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

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

ATTEST:



Earl R. Taylor, Executive Director