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Rulemaking Hearing Rule(s) Filing Form

Rulemaking Hearing Rules are rules filed after and as a result of a rulemaking hearing (Tenn. Code Ann. § 4-5-205).

Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).

Agency/Board/Commission:	Tennessee Public Utility Commission
Division:	Legal/Utilities
Contact Person:	Kelly Cashman-Grams, General Counsel
Address:	502 Deaderick Street, 4 th FL, Nashville TN
Zip:	37243
Phone:	615-770-6856
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Revision Type (check all that apply):

- Amendment
 New
 Repeal
- Content based on previous emergency rule filed on _____
 Content is identical to the emergency rule

Rule(s) (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please make sure that ALL new rule and repealed rule numbers are listed in the chart below. Please enter only ONE Rule Number/Rule Title per row.)

Chapter Number	Chapter Title
1220-04-13	Wastewater Regulations
Rule Number	Rule Title
1220-04-13-.01	Application and Purpose.
1220-04-13-.07	Financial Security.
1220-04-13-.09	Procedure for Suspension or Revocation of CCN, Forfeiture of Wastewater Utility Funds, and Claims Against Financial Security, Expired and Terminated CCNs.
1220-04-13-.17	Minimum Requirements for New and Amendments to Certificate of Convenience and Necessity.
1220-04-13-.18	Reserve/Escrow Accounts.

Place substance of rules and other info here. Please be sure to include a detailed explanation of the changes being made to the listed rule(s). Statutory authority must be given for each rule change. For information on formatting rules go to <https://sos.tn.gov/publications/services/rulemaking-guidelines>.

Chapter 1220-04-13
Wastewater Regulations

1220-04-13-.01 Application and Purpose is amended by deleting it in its entirety and substituting instead the following:

These rules shall apply to public wastewater utilities as defined in these rules and in Tenn. Code Ann. § 65-4-101. The purpose of these rules is to establish acceptable practices for the provision of safe, adequate, and reasonable wastewater services.

Authority: T.C.A. § 65-2-102.

1220-04-13-.07 Financial Security is amended by deleting it in its entirety and substituting instead the following:

- (1) All public wastewater utilities either holding or seeking to hold a CCN and owning wastewater systems shall furnish to the Commission an acceptable financial security. The public wastewater utility shall ensure that such financial security is maintained in continuous force in conformity with these rules.
- (2) Proof of financial security shall be furnished to the Commission as follows:
 - (a) A public wastewater utility applying for an initial CCN must file proof of financial security in the amount of \$20,000 before the application will be approved. Before initiating service, the utility shall also file proof of financial security in the amount required by 1220-04-13-.07(2)(b) based on the annual revenue forecast in the CCN application submitted to the Commission.
 - (b) On or before July 1 of each year, any public wastewater utility holding a CCN and providing service shall file proof with the Commission of a security in the amount of fifty percent (50%) of annual wastewater revenues in the most recent annual or \$20,000, whichever is greater. The minimum financial security amount is \$20,000. The maximum required security is \$300,000. When calculating wastewater revenues, no monies received from customers for bonding under this rule or for meeting bonding requirements of a local government shall be included in the calculation of wastewater revenues.
 - (c) Initial compliance revenue is defined as the amount of revenue upon which a public wastewater utility submits proof of financial security for the first time after the effective date of this rule. Notwithstanding (2)(b), a public wastewater utility is not required to submit a new financial security until the initial compliance revenue increases by 10% as reported on its annual report. Once the public wastewater utility submits a new financial security, the revenues upon which the financial security is based shall become the new initial compliance revenue. The public wastewater utility must provide proof that its financial security is still in effect by July 1 or each year.
- (3) Financial security shall be provided by one of the following methods:
 - (a) A bond issued by any surety company that has been authorized to issue such security by the Tennessee Department of Commerce and Insurance; or
 - (b) An irrevocable letter of credit issued by a financial institution that is a designated state depository under Tenn. Code Ann. § 9-4-107.
- (4) The public wastewater utility shall ensure that the Commission is notified within thirty (30) days prior to any termination action concerning an irrevocable letter of credit that will not be renewed or the expiration date for a bond of non-perpetual duration that is not to be renewed.
- (5) The recurring cost of the financial security may be funded from customer contributions by means of a pass-

through mechanism that adjusts a customer's monthly rate by a specified amount. The amount of the rate adjustment for a public wastewater utility shall be established on a case-by-case basis by the Commission.

- (a) For the initial security, each public wastewater utility shall submit for the Commission's consideration a proposed tariff specifying the amount of the security, the amount of the monthly rate adjustment to be billed to its customers for recovery of the cost of such security, and the percentage rate increase this represents, based on currently approved rates. The tariff filing documentation shall, at a minimum, include a calculation of the rate adjustment based on the annual cost of the security and the number of existing or projected customers at the time of the tariff filing. The resulting cost per customer (total security cost divided by the number of customers) shall be recovered from customers on a monthly basis (total cost per customer divided by 12).
 - 1. For public wastewater utilities holding a CCN as of the effective date of this rule, a proposed tariff to recover the cost of the required security shall be submitted to the Commission within thirty (30) days of the effective date of the financial security.
 - 2. For public wastewater utilities seeking a CCN after the effective date of this rule, a proposed tariff to recover the cost of the required security shall be submitted to the Commission with the CCN application.
- (b) Thereafter, on or before July 1 of each year, each public wastewater utility shall file with the Commission the following information to update its financial security and true up the recovery of its security costs:
 - 1. Proof of financial security compliant with this rule.
 - 2. A proposed revised tariff to become effective August 1, specifying the amount of security in place, the updated monthly rate adjustment to be billed to customers and the percentage rate increase this represents.
 - 3. Documentation supporting the calculation of the updated monthly rate adjustment. The documentation shall include but not be limited to:
 - (i) The annual cost of the new security;
 - (ii) The current number of customers;
 - (iii) The total actual security costs paid in the previous reporting period or part thereof in the public wastewater utility's first year of operations or the first year this rule is in effect; and
 - (iv) The security cost recovered from customers in the previous reporting period or part thereof.
 - 4. A true-up calculation of the new monthly rate adjustment, calculated as follows:

$$RA = \frac{(CP - CR + SC)}{C} \times 12$$

Where:

RA = New monthly rate adjustment to be effective August 1.

CP = Total security costs actually paid in the prior reporting period or part thereof netted against any credits or refunds received

by the public wastewater utility from the holder of the financial security.

- CR = Total security costs actually recovered from customers in the prior reporting period.
- SC = Annual security costs associated with the new security filed on July 1.
- C = Number of customers at July 1.

- (6) Upon the filing of an initial CCN application, a determination shall be made regarding the establishment of a reserve/escrow account. The Commission may review the financial condition of any public wastewater utility at any time to determine whether a reserve/escrow account balance is adequate or an account should be established. The requirement for a public wastewater utility to maintain a reserve/escrow account shall be determined on a case-by-case basis by the Commission.
- (7) The Commission may waive or modify requirements of this rule for good cause shown, including, but not limited to, affordability of rates, minimization of rate shock or other operating characteristics of the utility.

Authority: T.C.A. §§ 65-2-102, 65-4-104, 65-4-111, 65-4-201, and 65-4-305.

Paragraph (7) of 1220-04-13-.09 Procedure for Suspension or Revocation of CCN, Forfeiture of Wastewater Utility Funds, and Claims Against Financial Security, Expired and Terminated SSNs is amended by deleting it in its entirety and substituting instead the following:

- (7) Upon a complaint or the Commission's initiative, when it is alleged that a wastewater system has not been completed or is not operational and providing service to the designated service area after three (3) years from the date of the CCN Order, there shall be a rebuttal presumption that the CCN granted to the public wastewater utility is no longer valid or in effect.

Authority: T.C.A. §§ 4-5-320, 65-2-102, 65-2-106, 65-4-104, and 65-4-201.

Paragraph (8) of 1220-04-13-.09 Procedure for Suspension or Revocation of CCN, Forfeiture of Wastewater Utility Funds, and Claims Against Financial Security, Expired and Terminated SSNs is deleted in its entirety.

Authority: T.C.A. §§ 4-5-320, 65-2-102, 65-2-106, 65-4-104, and 65-4-201

The Chapter Title to Rule 1220-04-13-.17 Minimum Requirements for New and Amendments to Certificate of Convenience and Necessity is amended by deleting the title and substituting instead the following:

Minimum Requirements for New and Amendments to Certificates of Public Convenience and Necessity

Authority: T.C.A §§ 65-2-102, 65-4-104, 65-4-201, and 65-4-204.

Paragraph (2), Subparagraph (a), Part (2) and (11) of 1220-04-13-.17 Minimum Requirements for New and Amendments to Certificate of Convenience and Necessity are amended by deleting the following subsections in their entirety and substituting instead the following:

- 2. An organizational chart showing each officer and any other key personnel by name and title.
- 11. Identify the builder or developer that has requested that the utility provide wastewater service. Include the name of the company, primary contact, title, mailing address, email address, and

phone number.

Authority: T.C.A §§ 65-2-102, 65-4-104, 65-4-201, and 65-4-204.

Paragraph (2), Subparagraph (b) of 1220-04-13-.17 Minimum Requirements for New and Amendments to Certificate of Convenience and Necessity is amended by deleting the following subsections in their entirety and substituting instead the following:

1. A letter(s) from local government(s) and public wastewater utilities in or near the proposed service area stating that they do not provide wastewater service to the proposed service area and that they are unable or unwilling to provide wastewater service to the proposed service area within the ensuing twelve (12) months.
2. As applicable, a copy of any application for a franchise and the franchise agreement issued by a city or county.
3. All contracts or agreements between the builder(s) of the treatment and/or collection system, the utility, and the property and/or subdivision developer that show entitlement or ownership to the land, system specifications, costs for the wastewater system, timeline for the system to be built, and rights to the system once it is completed. Documents presented by the applicant should be signed by all parties and bear marks or stamps, such as those provided by notaries or public officials, as necessary.
 - (i) A copy of the construction agreement(s) for the treatment and/or collection of the system signed by all parties shall be filed with the Commission before the commencement of construction of the wastewater system.
 - (ii) A copy of the deed(s) and/or easement(s) for all the utility's land and ownership rights to the wastewater system shall be filed with the Commission before any customers are connected to the wastewater system.
 - (iii) Once the area of development is approved by the city and/or county government, a copy of the signed plat shall be filed with the Commission before any customers are connected to the wastewater system.

Authority: T.C.A §§ 65-2-102, 65-4-104, 65-4-201, and 65-4-204.

Paragraph (2), Subparagraph (c), Part (4) of 1220-04-13-.17 Minimum Requirements for New and Amendments to Certificate of Convenience and Necessity is amended by deleting the following subsections in their entirety and substituting instead the following:

4. Proof that the party contracted to install the proposed system has a valid and current contractor's license from the applicable licensing board of the State of Tennessee. A copy of the contractor's license shall be filed with the Commission prior to the commencement of construction of the wastewater system.

Authority: T.C.A §§ 65-2-102, 65-4-104, 65-4-201, and 65-4-204.

Paragraph (2), Subparagraph (d) of 1220-04-13-.17 Minimum Requirements for New and Amendments to Certificate of Convenience and Necessity is amended by deleting the following subsections in their entirety and substituting instead the following:

1. A copy of the application for the State Operating Permit ("SOP") filed with TDEC. Include the letter from TDEC indicating the receipt of a complete application. Include any engineering and/or design reports submitted to TDEC, such as the Design Development Report and the Detailed Soils Investigation Report. If an operating permit has been issued, provide a copy of the permit. A copy of the final SOP shall be filed with the Commission prior to connecting any customers to the wastewater system.

2. A copy of the State Operator Certificate for the wastewater system operator of record. If the operator is a contract employee of the utility, provide a copy of the employment contract. A copy of the State Operator Certificate shall be filed with the Commission before any customers are connected to the wastewater system.
3. The name, address, and telephone number of the technical contact person responsible for and knowledgeable about the applicant's proposed operations in Tennessee.
4. A list of any complaint(s), notices of violation or administrative action filed with or issued by a regulatory agency. Identify the nature of the complaint notices of violation or administrative action, which agency is involved, and how the issue was or is being resolved.
5. A copy of the as-built plans signed by the utility certifying that the wastewater system has been inspected and is approved to begin operations shall be filed with the Commission before any customers are connected to the wastewater system.

Authority: T.C.A §§ 65-2-102, 65-4-104, 65-4-201, and 65-4-204.

Paragraph (2), Subparagraph (e), Part (7) and (11) of 1220-04-13-.17 Minimum Requirements for New and Amendments to Certificate of Convenience and Necessity are amended by deleting the following subsections in their entirety and substituting instead the following:

7. Indicate the identity of the owner(s) of the wastewater system once construction is complete. If a party other than the utility pays the cost of construction and transfers ownership of the wastewater system to the applicant, provide a detailed breakdown of the estimated amount of contributed capital that will be recorded on the applicant's financial books. A detailed breakdown by USOA plant account of the final amount of contributed capital that will be recorded on the applicant's books shall be filed with the Commission before any customers are connected to the wastewater system.
11. Demonstrate that the applicant has acquired a performance bond, an irrevocable letter of credit, or other sufficient financial security approved by the Commission, from the developer or builder of the wastewater system made payable to the Utility to ensure construction of the wastewater system. The performance bond, irrevocable letter of credit, or other financial security approved by the Commission should be for an amount equal to or greater than the cost of the system as provided in contracts between the builder, developer, and/or utility. A copy of the performance bond, irrevocable letter of credit, or other financial security approved by the Commission shall be filed with the Commission prior to the commencement of construction of the wastewater system.

Authority: T.C.A §§ 65-2-102, 65-4-104, 65-4-201, and 65-4-204.

Paragraph (2), Subparagraph (f), Part (4) and (6) of 1220-04-13-.17 Minimum Requirements for New and Amendments to Certificate of Convenience and Necessity are amended by deleting the following subsections in their entirety and substituting instead the following:

4. A discussion and demonstration of the technical, managerial, and financial capability of the applicant to provide the proposed wastewater service.
6. A signed affidavit stating that all information submitted concerning the wastewater CCN application is true and correct to the best of the witness's knowledge and belief.

Authority: T.C.A §§ 65-2-102, 65-4-104, 65-4-201, and 65-4-204.

1220-04-13-.18 Reserve/Escrow Accounts is added as a new rule and shall read:

(1) Definitions

- (a) Reserve/escrow accounts are funds that are maintained in a separate, dedicated bank account with uses limited to emergency expenditures, necessary capital projects, or other uses as permitted by the Commission.
 - (b) Emergency expenses are those resulting from events that are infrequent and unusual in nature, and unrelated to the utility's routine service or business activities.
 - (c) Necessary capital projects are expenditures other than routine operations and maintenance expenses required to repair, replace, or upgrade long-lived wastewater property, plant and equipment and include, but are not limited to, repairing line breaks, major pump repairs, pump replacements, major vault repairs, vault replacements, major panel upgrades, panel replacements, and plant upgrades and replacements.
- (2) Reserve/escrow accounts established by a public wastewater utility shall be limited to paying for or reimbursing the utility for emergency expenses of the utility or for necessary capital projects, unless otherwise permitted by the Commission.
- (a) The Commission may require public wastewater utility employees having signature authority over such accounts to obtain a fidelity bond.
 - (b) The public wastewater utility's tariff shall set forth the specific amount charged to customers to fund the reserve/escrow account. Such escrow charges and changes thereto shall be approved by the Commission.
- (3) Procedures for accessing escrow/reserve account funds
- (a) Within thirty days of accessing escrow funds, a utility must file a written notice with the Commission detailing the situation that required the use of escrow funds, the amount and date of the withdrawal, and an accounting of how the funds were used, inclusive of supporting documentation such as invoices, bank statements, and account ledgers. The Commission or its designee will decide whether the circumstances and use of the funds qualify as an emergency expense or a necessary capital project.
 - (b) If it is determined that the withdrawal of escrow funds was not due to an emergency expense or necessary capital project, it will notify the utility to either reimburse the escrow account for the amount of the withdrawal or file a petition with the Commission requesting to use the withdrawn funds for the specified purpose. If, within thirty days of the Commission's notice, the utility fails to either reimburse the escrow account for the withdrawn funds or file a petition requesting approval to use the withdrawn funds, the Commission may order the utility to reimburse the escrow account with interest and may impose a civil penalty for the improper withdrawal.
 - (c) Prior to withdrawing escrow funds, a utility may file a petition requesting to use escrow funds for a purpose other than emergency expenses or necessary capital projects, and upon approval by the Commission, the utility may access escrow funds for such purposes.
- (4) The TPUC may waive or modify requirements of this rule for good cause shown, including but not limited to affordability of rates, minimization of rate shock, or other operating characteristics of the utility.

Authority: T.C.A. §§ 65-2-102, 65-4-111, and 65-4-305.

* If a roll-call vote was necessary, the vote by the Agency on these rulemaking hearing rules was as follows:

Board Member	Aye	No	Abstain	Absent	Signature (if required)
Chairman David F. Jones	X				N/A
Vice Chairman John Hie	X				N/A
Comm. Herbert H. Hilliard	X				N/A
Comm. Robin L. Morrison	X				N/A
Comm. Clay R. Good	X				N/A
Comm. Kenneth C. Hill	X				N/A
Comm. David Crowell	X				N/A

I certify that this is an accurate and complete copy of the rulemaking hearing rules, lawfully promulgated and adopted by the Tennessee Public Utility Commission on March 16, 2026, and is in compliance with the provisions of T.C.A. § 4-5-222.

I further certify the following:

Notice of Rulemaking Hearing filed with the Department of State on: December 12, 2025

Rulemaking Hearing(s) Conducted on: (add more dates). February 17, 2026

Date: March 27, 2026

Signature: *Kelly Cashman-Grams*

Name of Officer: Kelly Cashman-Grams

Title of Officer: General Counsel

Agency/Board/Commission: Tennessee Public Utility Commission

Rule Chapter Number(s): 1220-04-13

All rulemaking hearing rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

[Signature]
 Jonathan Skrmetti
 Attorney General and Reporter
April 8, 2026
 Date

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Apr 10 2026, 3:04 pm

Secretary of State
 Division of Publications

Filed with the Department of State on: 4/10/2026

Effective on: 7/9/2026

Tre Hargett
 Tre Hargett
 Secretary of State
 RDA 1693

Public Hearing Comments

One copy of a document that satisfies T.C.A. § 4-5-222 must accompany the filing.

There were no public comments filed in the docket file or offered during the rulemaking hearing. See the Memorandum included with the rulemaking packet.

Regulatory Flexibility Addendum

Pursuant to T.C.A. §§ 4-5-401 through 4-5-404, prior to initiating the rule making process, all agencies shall conduct a review of whether a proposed rule or rule affects small business.

(1) The extent to which the rule or rules may overlap, duplicate, or conflict with other federal, state, and local governmental rules.

No overlap, duplication, or conflict has been identified.

(2) Clarity, conciseness, and lack of ambiguity in the rule or rules.

The amendments improve the clarity and conciseness of the rules and processes altered.

(3) The establishment of flexible compliance and/or reporting requirements for small businesses.

No impact.

(4) The establishment of friendly schedules or deadlines for compliance and/or reporting requirements for small businesses.

No impact.

(5) The consolidation or simplification of compliance or reporting requirements for small businesses.

No impact.

(6) The establishment of performance standards for small businesses as opposed to design or operational standards required in the proposed rule.

No impact.

(7) The unnecessary creation of entry barriers or other effects that stifle entrepreneurial activity, curb innovation, or increase costs.

No impact.

Impact on Local Governments

Pursuant to T.C.A. §§ 4-5-220 and 4-5-228, "On any rule and regulation proposed to be promulgated, the proposing agency shall state in a simple declarative sentence, without additional comments on the merits or the policy of the rule or regulation, whether the rule or regulation may have a projected financial impact on local governments. The statement shall describe the financial impact in terms of increase in expenditures or decrease in revenues."

These rules are not expected to impact local governments.

Additional Information Required by Joint Government Operations Committee

All agencies, upon filing a rule, must also submit the following pursuant to T.C.A. § 4-5-226(i)(1).

- (A) A brief summary of the rule and a description of all relevant changes in previous regulations effectuated by such rule;

The Commission's wastewater rules were first promulgated in 2006 and amended in 2016. The agency has operated under the current wastewater rules for almost a decade. The Commission identified three specific substantive improvements, along with certain non-substantive revisions to improve clarity and general readability. *First*, the rule amendments eliminate the automatic three-year expiration of CCNs and all associated extension and reapplication procedures, while maintaining a rebuttable presumption that a CCN becomes invalid if the wastewater system is not completed and does not provide service within three years. If a complaint is filed or the Commission initiates a review, the burden shifts to the CCN holder to prove that the certificate should remain in effect, encouraging timely project completion while protecting due process. *Second*, CCN applicants must show they meet all statutory qualifications and file supporting documents; however, some documents cannot be obtained until the CCN is granted. To address this, the Commission previously listed these required items in its CCN order separately and mandated that they be filed before service begins. The amended rule includes these requirements along with the other CCN requirements, simplifying the process. *Finally*, the Commission requires a wastewater utility to keep reserve or escrow funds in a separate account for emergencies or major capital projects. The previous reserve/escrow provision, which required approval before withdrawing escrow funds, has been eliminated. The new rule allows a utility to access escrow funds immediately in emergencies and to report withdrawals to the Commission within 30 days, with full supporting documentation. The Commission reviews each withdrawal and can require repayment with interest or impose penalties if funds are misused or withdrawn for an unauthorized purpose. The new rule balances operational flexibility, allowing utilities to respond quickly to urgent situations, with increased accountability and oversight to ensure proper use. In summary, the amendments update the wastewater regulations by eliminating outdated CCN expiration procedures, streamlining CCN documentation requirements, and replacing the previous escrow fund rule with a framework that enables faster emergency access to funds while enhancing reporting and oversight.

- (B) A citation to and brief description of any federal law or regulation or any state law or regulation mandating promulgation of such rule or establishing guidelines relevant thereto;

The amendments were made as part of the Commission's ongoing review under TCA 4-5-213(b).

- (C) Identification of persons, organizations, corporations or governmental entities most directly affected by this rule, and whether those persons, organizations, corporations or governmental entities urge adoption or rejection of this rule;

The Commission-regulated investor-owned wastewater utilities are impacted. No objections to the rule amendments were provided during the rule hearing, nor were written comments submitted in the docket file.

- (D) Identification of any opinions of the attorney general and reporter or any judicial ruling that directly relates to the rule or the necessity to promulgate the rule;

n/a

- (E) An estimate of the probable increase or decrease in state and local government revenues and expenditures, if any, resulting from the promulgation of this rule, and assumptions and reasoning upon which the estimate is based. An agency shall not state that the fiscal impact is minimal if the fiscal impact is more than two percent (2%) of the agency's annual budget or five hundred thousand dollars (\$500,000), whichever is less;

The rule amendments have no impact on state or local revenues or expenditures.

(F) Identification of the appropriate agency representative or representatives, possessing substantial knowledge and understanding of the rule;

Kelly Cashman-Grams and Jerry Kettles

(G) Identification of the appropriate agency representative or representatives who will explain the rule at a scheduled meeting of the committees;

Kelly Cashman-Grams and Jerry Kettles

(H) Office address, telephone number, and email address of the agency representative or representatives who will explain the rule at a scheduled meeting of the committees; and

Andrew Jackson State Office Building, 502 Deaderick Street, Floor 4, Nashville TN 37243
Kelly Cashman-Grams, ph: 615-770-6856, email: kelly.grams@tn.gov
Jerry Kettles, ph: 615-770-6894, email: jerry.kettles@tn.gov
Tim Schwarz, ph: 615770-6881, email: tim.schwarz@tn.gov

(I) Any additional information relevant to the rule proposed for continuation that the committee requests.

n/a

TENNESSEE PUBLIC UTILITY COMMISSION

Kelly Cashman-Grams
General Counsel
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(615) 770-6856



Andrew Jackson State Office Bldg.
502 Deaderick Street, 4th Floor
Nashville, TN 37243-0001

March 27, 2026

RE: Memorandum on Public Comments
Rule 1220-04-13, Amendments to Wastewater Rules
TPUC Docket No. 25-00085

On December 12, 2025, the Tennessee Public Utility Commission filed its Notice of Rulemaking Hearing with the Tennessee Secretary of State, scheduling a rulemaking hearing on the proposed rule amendments for February 17, 2026. On February 6, 2026, the Commission issued a Notice of Hearing and a Public Comment on Rulemaking in Commission Docket 25-00085, followed by an amended notice on February 12, 2026, alerting the public about the upcoming hearing and the opportunity to submit comments. As scheduled, the rulemaking hearing took place on February 17, 2026, in the ground-floor hearing room of the Andrew Jackson State Office Building. During the hearing, no one came forward to comment on the rule, and no written comments were filed in the docket before or after the hearing.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:


Kelly Cashman Grams, General Counsel

**RULES
OF
TENNESSEE PUBLIC UTILITY COMMISSION**

**CHAPTER 1220-04-13
WASTEWATER REGULATIONS**

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1220-04-13-.01 APPLICATION AND PURPOSE.

- (1) These rules shall apply to public wastewater utilities as defined in these rules and in Tenn. Code Ann. § 65-4-101.
- (2) The purpose of these rules is to ~~define~~[establish] acceptable practices for the provision of safe, adequate, and reasonable wastewater service. ~~The rules are intended to ensure continued adequate and reasonable service.~~

Authority: T.C.A. § 65-2-102. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006 Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; “Tennessee Regulatory Authority” references were changed to “Tennessee Public Utility Commission,” “Authority” references were changed to “Commission,” “Authority Director” references were changed to “Commissioner,” and “Chief” references were changed to “Director.”

1220-04-13-.02 DEFINITIONS.

- (1) Commission – Tennessee Public Utility Commission or TPUC.
- (2) Certificate of Public Convenience and Necessity or CCN – certificate required for a public utility to establish, construct or operate utility service in a specified area, pursuant to Tenn. Code Ann. §§ 65-4-201 et seq.
- (3) Customer – any person, firm, corporation, association, or governmental unit that receives wastewater service from a public wastewater utility.
- (4) Local government – any political subdivision of the State of Tennessee, including, but not limited to, a county or incorporated municipality.
- (5) Public wastewater utility includes, but is not limited to, any person, partnership, corporation, company, association, receiver, or two or more persons having a joint or common interest, that owns, operates, and manages any public wastewater system for compensation within the state subject to the jurisdiction of the Commission.

- (6) TDEC – Tennessee Department of Environment and Conservation.
- (7) Wastewater system – any structure, land, equipment, or process for collecting, storing, treating, or disposing of wastewater, including but not limited to, tanks, pipes, pumps, and filters.
- (8) Reporting Period – the twelve (12) month period from May 1 through April 30, during which actual financial security costs are netted against financial security costs that have been recovered (collected) from the customers of the public wastewater utility by means of a rate adjustment established in a tariff that is filed with the Commission each July 1.

Authority: T.C.A. § 65-2-102. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; “Tennessee Regulatory Authority” references were changed to “Tennessee Public Utility Commission,” “Authority” references were changed to “Commission,” “Authority Director” references were changed to “Commissioner,” and “Chief” references were changed to “Director.” Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-.03 RETENTION OF RECORDS.

- (1) Unless otherwise specified by the Commission, all records required by these rules shall be preserved for a minimum period of three (3) years. All records shall be kept at the main office of the public wastewater utility in Tennessee and shall be made available to the Commission or its authorized representatives upon request.

Authority: T.C.A. §§ 65-2-102 and 65-4-104. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; “Tennessee Regulatory Authority” references were changed to “Tennessee Public Utility Commission,” “Authority” references were changed to “Commission,” “Authority Director” references were changed to “Commissioner,” and “Chief” references were changed to “Director.”

1220-04-13-.04 DOCUMENTS TO BE FILED WITH THE COMMISSION.

- (1) The public wastewater utility shall file with the Commission the following documents and information, and shall refile such documents to keep such information up-to-date.
 - (a) A copy of the public wastewater utility’s tariff as specified in Rule 1220-04-01-.02 that includes the rates, rules, terms, and conditions and that describes the policies and practices in rendering service that conform to all applicable provisions shall be filed with the Commission. Such tariff may also include cost recovery associated with financial securities as described in these rules and recovery of the costs of bonding for operation of the utility imposed by local governments.
 - (b) Before initiation of service, the public wastewater utility shall file with the Commission the TDEC approval of the design and permit for the wastewater system and proof that the utility owns the land and/or has easements for the proposed wastewater system.
 - (c) Each public wastewater utility shall file a completed annual report with the Commission on or before April 1 of each year. The report shall be in the form specified by the Commission and in compliance with these rules and all other requirements established by the Commission. The annual report shall include a report on the construction status of each service territory covered by the utility’s CCN. The report shall also include an affirmation and supporting documentation that the financial security required by Rules 1220-04-13-.07 remains in effect.

- (d) The name, title, address, telephone number, and email, of the person(s) who should be contacted in connection with:
 - 1. General management.
 - 2. Customer relations and consumer complaints.
 - 3. Engineering and operations.
 - 4. Emergencies during non-office hours.
 - 5. The certified operator for each wastewater system included in the CCN.
- (e) Any correspondence related to a notice of violation or administrative action from a state or federal regulatory agency or the initiation of litigation. Such correspondence shall be filed within seven (7) days of the utility's notice or receipt.
- (f) Any correspondence to and from TDEC related to the wastewater utility's State Operating Permit. Such correspondence shall be filed within seven (7) days of the utility's notice or receipt.
- (g) The wastewater utility shall notify the Commission within thirty (30) days when an entity with which it has a contractual relationship in the development, construction or operation of a wastewater system upon which its CCN is based, in whole or in part, files for bankruptcy protection or otherwise becomes unable or unwilling to carry out its contractual obligations with respect to the wastewater system.

Authority: T.C.A. §§ 65-2-102, 65-4-104, and 65-4-201. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director" references were changed to "Commissioner," and "Chief" references were changed to "Director." Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-.05 MAPS AND RECORDS.

- (1) Each public wastewater utility shall keep on file in its main office suitable maps, plans, and records showing the entire layout of its wastewater system including the location, size and capacity of each component.
- (2) Each public wastewater utility shall keep a record of all interruptions of service of its wastewater system, including a statement of time, duration, and cause of such interruptions.
- (3) Records of inspection conducted as part of operating and maintenance procedures shall be maintained by the public wastewater utility for a minimum of three (3) years.

Authority: T.C.A. §§ 65-2-102 and 65-4-104. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director" references were changed to "Commissioner," and "Chief" references were changed to "Director." Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-.06 ADEQUACY OF FACILITIES.

- (1) All public wastewater utilities shall design, construct, maintain, and operate wastewater systems to comply with the rules, laws, ordinances, and codes of state, federal and local government agencies to ensure safe, adequate and reliable service and, as far as reasonably possible, continuity of service and uniformity in the quality of service so as not to cause water pollution, wastewater spills, wastewater backup, or other undesirable conditions.
- (2) Each public wastewater utility shall adopt operating and maintenance procedures for its wastewater system to ensure safe, adequate and continuous service at all times by qualified staff, and shall make inspections on a regular basis and in accordance with the requirements stated in the TDEC-issued permit for the wastewater treatment facility.

Authority: T.C.A. §§ 65-2-102, 65-2-106, 65-4-104, 65-4-203, 65-4-114, and 65-4-115. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director" references were changed to "Commissioner," and "Chief" references were changed to "Director." Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-.07 FINANCIAL SECURITY.

- (1) All public wastewater utilities either holding or seeking to hold a CCN and owning wastewater systems shall furnish to the Commission, an acceptable financial security. The public wastewater utility shall ensure that such financial security is maintained in continuous force in conformity with these rules.
- (2) Proof of financial security shall be furnished to the Commission as follows:
 - (a) ~~A public wastewater utility submitting an initial application for a CCN shall present to the Commission, prior to approval of the application, proof of financial security in the amount of \$20,000. Prior to providing service, the public utility shall file proof of financial security in the amount required by 1220-04-13-.07(2)(b) based on the annual revenue forecast in the CCN application submitted to the Commission.~~ [A public wastewater utility applying for an initial CCN must file proof of financial security in the amount of \$20,000 before the application will be approved. Before initiating service, the utility shall also file proof of financial security in the amount required by 1220-04-13-.07(2)(b) based on the annual revenue forecast in the CCN application submitted to the Commission.]
 - (b) On or before July 1 of each year, any public wastewater utility holding a CCN and providing service shall file proof with the Commission of a security in the amount of fifty percent (50%) of annual wastewater revenues in the most recent annual or \$20,000, whichever is greater. The minimum financial security amount is \$20,000. The maximum required security is \$300,000. When calculating wastewater revenues, no monies received from customers for bonding under this rule or for meeting bonding requirements of a local government shall be included in the calculation of wastewater revenues.
 - (c) Initial compliance revenue is defined as the amount of revenue upon which a public wastewater utility submits proof of financial security for the first time after the effective date of this rule. Notwithstanding (2)(b), a public wastewater utility is not required to submit a new financial security until the initial compliance revenue increases by 10% as reported on its annual report. Once the public wastewater utility submits a new financial security, the revenues upon which the financial security is based shall become the new initial compliance revenue. The public wastewater utility must provide proof that its financial security is still in effect by July 1 or each year.

- (3) Financial security shall be provided ~~in~~[by] one of the following ~~manners~~[methods]:
- (a) A bond issued by any surety company that has been authorized to issue such security by the Tennessee Department of Commerce and Insurance; or
 - (b) An irrevocable letter of credit issued by a financial institution that is a designated state depository under Tenn. Code Ann. § 9-4-107.
- (4) The public wastewater utility shall ensure that the Commission is notified within thirty (30) days prior to any termination action concerning an irrevocable letter of credit that will not be renewed or the expiration date for a bond of non-perpetual duration that is not to be renewed.
- (5) The recurring cost of the financial security may be funded from customer contributions by means of a pass-through mechanism that adjusts a customer's monthly rate by a specified amount. The amount of the rate adjustment ~~[for a public wastewater utility]~~ shall be established ~~[on a case-by-case basis]~~ by the Commission ~~for a public wastewater utility on a case-by-case basis~~.
- (a) For the initial security, each public wastewater utility shall submit for the Commission's consideration a proposed tariff specifying the amount of the security, the amount of the monthly rate adjustment to be billed to its customers for recovery of the cost of such security[,], and the percentage rate increase this represents, based on currently approved rates. The tariff filing documentation shall ~~contain~~[,], at a minimum[,], ~~include~~ a calculation of the rate adjustment based on the annual cost of the security and the number of existing or projected customers at the time of the tariff filing. The resulting cost per customer (total security cost divided by the number of customers) shall be recovered from customers on a monthly basis (total cost per customer divided by 12).
 - 1. For public wastewater utilities holding a CCN as of the effective date of this rule, a proposed tariff to recover the cost of the required security shall be submitted to the Commission within thirty (30) days of the effective date of the financial security.
 - 2. For public wastewater utilities seeking a CCN after the effective date of this rule, a proposed tariff to recover the cost of the required security shall be submitted to the Commission with the CCN application.
 - (b) Thereafter, on or before July 1 of each year, each public wastewater utility shall file with the Commission the following information to update its financial security and true up the recovery of its security costs:
 - 1. Proof of financial security compliant with this rule.
 - 2. A proposed revised tariff to become effective August 1, specifying the amount of security in place, the updated monthly rate adjustment to be billed to customers and the percentage rate increase this represents.
 - 3. Documentation supporting the calculation of the updated monthly rate adjustment.The documentation shall include but not be limited to:
 - (i) The annual cost of the new security;
 - (ii) The current number of customers;
 - (iii) The total actual security costs paid in the previous reporting period or part thereof in the public wastewater utility's first year of operations or the first year this rule is in effect; and

- (iv) The security cost recovered from customers in the previous reporting period or part thereof.

4. A true-up calculation of the new monthly rate adjustment, calculated as follows:

$$RA = \frac{(CP - CR + SC)}{C} \times 12$$

Where:

RA = New monthly rate adjustment to be effective August 1.

CP = Total security costs actually paid in the prior reporting period or part thereof netted against any credits or refunds received by the public wastewater utility from the holder of the financial security.

CR = Total security costs actually recovered from customers in the prior reporting period.

SC = Annual security costs associated with the new security filed on July 1.

C = Number of customers at July 1.

- (6) Upon the filing of an initial CCN application, a determination shall be made regarding the establishment of a reserve/escrow account. The Commission may review the financial condition of any public wastewater utility at any time to determine whether a reserve/escrow account balance is adequate or an account should be established. The requirement for a public wastewater utility to maintain a reserve/escrow account shall be determined ~~by the Commission~~ on a case-by-case basis [by the Commission].
- (7) ~~Reserve/escrow accounts established by a public wastewater utility shall be limited to paying for or reimbursing the utility for extraordinary expenses of the utility or for necessary capital projects, unless otherwise permitted by the Commission. Extraordinary expenses are those resulting from events which are infrequent and unusual in nature, and unrelated to the utilities' routine service or business activities. The utility must first receive authorization from the Commission via approved petition or, in emergency situations, authorization in writing from the Chairman of the Commission upon written request by a representative of the utility to use such funds. The Commission may require public wastewater utility employees having signature authority over such account to obtain a fidelity bond. The public wastewater utility's tariff shall set forth the specific amount charged to customers to fund the reserve/escrow account. [The Commission may waive or modify requirements of this rule for good cause shown, including, but not limited to, affordability of rates, minimization of rate shock or other operating characteristics of the utility.]~~
- (8) ~~The TPUC may waive or modify requirements of this rule for good cause shown, including but not limited to affordability of rates, minimization of rate shock or other operating characteristics of the utility.~~

Authority: T.C.A. §§ 65-2-102, 65-4-104, 65-4-111, 65-4-201, and 65-4-305. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director"

references were changed to "Commissioner," and "Chief" references were changed to "Director." Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-.08 STANDARD FORMS FOR FILING FINANCIAL SECURITY.

- (1) Corporate surety bonds or letters of credit filed to comply with TPUC Rule 1220-04-13-.07 shall include the following terms:
 - (a) The name and identification number assigned to the utility by TPUC;
 - (b) The name and contact information for the providers of the corporate surety bond or letter of credit;
 - (c) A statement identifying the TPUC as the beneficiary;
 - (d) A statement of the amount of the surety bond or letter of credit;
 - (e) A statement indicating that the financial security is required by Tenn. Code Ann. § 65-4-201 and TPUC Rule 1220-04-13-.07;
 - (f) A statement indicating that after action under TPUC 1220-04-13-.09 the Commission may assess a sum sufficient of this bond, up to its maximum sum;
 - (g) A statement that the provider of the corporate surety bond or letter of credit will promptly pay the Tennessee Public Utility Commission via wire transfer upon notice that the TPUC has taken action pursuant to TPUC Rule 1220-04-13-.09; and
 - (h) A statement that the provider of the corporate surety bond or letter of credit shall provide the TPUC at least a ninety (90) day notice in the event of a non-renewal or termination of the corporate surety bond or letter of credit.
- (2) The Commission may require additional terms in a letter of credit to ensure access to funds in the event of action per TPUC Rule 1220-04-13-.09.
- (3) Providers of the corporate surety bond or letter of credit shall be authorized to do business in the state of Tennessee.

Authority: T.C.A. §§ 65-2-102, 65-2-106, and 65-4-104, 65-4-114, and 65-4-203. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director" references were changed to "Commissioner," and "Chief" references were changed to "Director." Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-.09 PROCEDURE FOR SUSPENSION OR REVOCATION OF CCN, FORFEITURE OF WASTEWATER UTILITY FUNDS, AND CLAIMS AGAINST FINANCIAL SECURITY, EXPIRED AND TERMINATED CCNS.

- (1) Where a public wastewater utility through the actions of its owner(s), operator(s), or representative(s) demonstrates an unwillingness, incapacity, inability or refusal to effectively operate and/or manage the wastewater system(s) in compliance with these rules and Tennessee statutes, or the wastewater system(s) has been abandoned, the Commission has authority to take appropriate based on good cause that that may include suspension or revocation of all or a portion a public wastewater utility's CCN, forfeiture of wastewater utility funds, and/or making a claim against the public wastewater utility's financial security.

- (2) Good cause includes, but is not limited to, the following:
- (a) A finding by the Commission of material non-compliance by the holder of a CCN with any provisions of Title 65 of the Tennessee Code Annotated dealing with obtaining a public wastewater utility CCN or providing wastewater services to customers, or any order or rule of the Commission relating to the same; or
 - (b) A finding by the Commission of:
 - 1. Fraud, dishonesty, misrepresentation, self-dealing, managerial dereliction, gross mismanagement on the part of the public wastewater utility, or conviction of the utility or a principal of the utility of a crime related to management or operation of the utility or any crime that may interfere with the effective management or operation of the utility;
 - 2. Actual, threatened or impending insolvency of the public wastewater utility;
 - 3. Actual or threatened abandonment of the public wastewater utility by its owners or operators;
 - 4. Persistent, serious, or substantial violations of statutes or regulations governing the public wastewater utility;
 - 5. Failure or inability on the part of the public wastewater utility to comply with an order of any other state or federal regulatory body after the public wastewater utility has been notified of its non-compliance and given an opportunity to achieve compliance; or
 - 6. Failure to provide service to any customer reasonably entitled thereto.
- (3) In addition to the above, the Commission may consider one or more of the following in determining whether a public wastewater utility's CCN should be suspended or revoked, whether its wastewater utility funds should be forfeited and/or whether a claim should be made against its financial security:
- (a) Whether, to the extent practicable, service to customers will remain uninterrupted;
 - (b) Whether methods are available to mitigate any financial consequences to customers served by the utility subject to suspension or revocation and the adoption of a plan to implement those methods; or whether there are no practicable methods to mitigate the financial consequences to customers;
 - (c) Whether the utility had opportunity to correct the conditions that are alleged to constitute the grounds for action; and
 - (d) Such other factors as the Commission deems relevant to the determination.
- (4) Proceedings before the Commission for suspension or revocation of a public wastewater utility's CCN, forfeiture of wastewater utility funds, and/or making a claim against the public wastewater utility's financial security shall be conducted in accordance with the contested case provisions of the Tennessee Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101, *et seq.*, which includes notice and an opportunity to be heard, which may, but is not required to include a proceeding commenced under Tenn. Code Ann. § 65-2-106. Notice of opportunity to be heard may be excused when the circumstances or the conduct of a public wastewater utility poses an imminent threat to the health, safety, or welfare of the public. In

such exigent circumstances, the Commission may order the summary suspension of the utility's CCN and follow the procedures as set forth in Tenn. Code Ann. § 4-5-320.

- (5) In the event the Commission revokes or suspends all or a portion of a public wastewater utility's CCN, orders the forfeiture of wastewater utility funds, and/or makes a claim against the public wastewater utility's financial security, the Commission may order all necessary actions to ensure continuous utility service and operation of the wastewater plant consistent with statutory requirements and TPUC rules and orders. The Commission may take, but is not limited to, the following actions:
 - (a) Order the divestiture of public wastewater utility assets.
 - (b) Ordering the hiring of a replacement operator.
 - (c) Ordering specific repairs or upgrades to wastewater plant to comply with applicable regulations.
 - (d) Petitioning a court of competent jurisdiction for the appointment of a receiver.
 - (e) Other actions necessary to provide for continuous public wastewater utility operations.
- (6) An order under paragraph (5) may provide cost recovery mechanisms for costs associated with improvements to the wastewater system(s) that are immediate and necessary to remedy deficiencies, including any of the following:
 - (a) A mechanism for expediting any adjustments to the rates of the public wastewater utility.
 - (b) A plan for deferring or accelerating certain improvement costs and recovering costs in phases.
 - (c) Incentives to facilitate acquisition or long-term operation of the public wastewater utility.
- (7) ~~[Upon a complaint or the Commission's initiative, when it is alleged that a wastewater system has not been completed or is not operational and providing service to the designated service area after three (3) years from the date of the CCN Order, there shall be a rebuttal presumption that the CCN granted to public wastewater utility is no longer valid or in effect.] A wastewater CCN holder shall file a written notice of completion that the wastewater system is fully constructed, operational, and providing service not less than three (3) years from the date of the written order granting a CCN. If the written notice of completion is not filed within three (3) years, the CCN shall automatically expire and be terminated without the institution of proceedings under Rule 1220-04-13-.09(4).~~
 - ~~(a) Not less than thirty (30) days before the expiration of the three (3) year period, a CCN holder may file a written request for an extension of time, not to exceed one year from the original deadline, to file the required notice of completion of the wastewater system. The filing of an extension request does not entitle the CCN holder to a contested case proceeding or constitute grounds for a proceeding under 1220-04-13-.09(4); however, the commission may initiate such a proceeding upon such request or its own motion. Subject to the conditions herein, an extension request shall not be the basis for a proceeding under Rule 1220-04-13-.09(4).~~
 - ~~(b) A request for an extension of time under this section shall include the following:
 1. Documentation of all phases of the project that have been constructed or completed;
 2. Documentation reflecting the timeline for completion of any unconstructed or incomplete portions of the system;~~

~~3. Documentation that the property developer, at the time the GCN was awarded, intends to proceed with the project; and~~

~~4. Such other documentation as the Commission may request.~~

- ~~(c) In the event that a GCN expires, then the holder shall file a new application pursuant to Rule 1220-04-13-.17 to obtain authority to serve the service area previously covered by the expired or terminated GCN.~~
- (8) ~~Upon a complaint or the TPUC's own motion wherein it is alleged that a wastewater system has not been completed or is not operational and providing service to the designated service area after three (3) years from the date of the GCN Order, as noted in (7) above, there shall a rebuttal presumption that the GCN granted to public wastewater utility is no longer valid or in effect.~~

Authority: T.C.A. §§ 4-5-320, 65-2-102, 65-2-106, 65-4-104, and 65-4-201. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director" references were changed to "Commissioner," and "Chief" references were changed to "Director." Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-.10 TITLE OF PHYSICAL ASSETS AND SALE, TRANSFER, MERGER, TERMINATION, ACQUISITION, OR ABANDONMENT.

- (1) Title to all physical assets of the wastewater system managed or operated by a public wastewater utility shall not be subject to any liens, judgments, or encumbrances, except as approved by the Commission pursuant to Tenn. Code Ann. § 65-4-109.
- (2) Any person owning, operating, managing, or controlling a public wastewater utility that intends to sell, transfer or merge with another public wastewater utility, or intends to terminate, acquire another public wastewater utility or its assets, or abandon the wastewater system shall file ninety (90) days prior to the closing date of such transaction both a Petition with the Commission to obtain Commission approval of the transaction and a proposed written notice to the customers.
- (3) Any petition filed with the Commission under this part shall include a description of the proposed transaction and the following:
- (a) The names, addresses, and telephone numbers of the public wastewater utility and other parties to the transaction;
 - (b) The identity and contact information of the person(s) to contact regarding the petition;
 - (c) The proposed effective date of the transaction;
 - (d) A list of outstanding citations issued by TDEC and a discussion concerning how the acquiring party will correct any outstanding citations or violations;
 - (e) A statement detailing the effect of the transaction upon customers; and
 - (f) A copy of the customer notification letter, to be approved by the Commission, which will be mailed by the current provider of wastewater services to its customers no fewer than thirty (30) days prior to the customer transfer. Once approved by the Commission, the notification letter shall be mailed by U.S. First Class Postage, with the logo or name of

the current provider displayed on both the letterhead and the exterior envelope. For good cause shown, any portion of this Rule 1220-04-13-.10(3)(f) may be waived or notice may be given using alternate means.

Authority: T.C.A. §§ 65-2-102, 65-4-104, 65-4-112, and 65-4-113. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director" references were changed to "Commissioner," and "Chief" references were changed to "Director." Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-.11 REPEALED.

Authority: T.C.A. §§ 65-2-102, 65-4-104, 65-2-106, and 65-4-114. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director" references were changed to "Commissioner," and "Chief" references were changed to "Director." Repeal filed September 5, 2018; effective December 4, 2018.

1220-04-13-.12 CUSTOMER RELATIONS.

- (1) Each public wastewater utility shall comply with applicable provisions of Rule 1220-04-03-.14 including, but not limited to, the following:
 - (a) Each public wastewater utility shall maintain a business location and a customer service telephone number at which it may be contacted directly by customers, applicants, or the Commission during its regular business hours.
 - (b) The public wastewater utility shall make a full and prompt investigation and maintain an accurate record of all written customer complaints that are received by the public wastewater utility. If the written complaint relates to a service problem, the record shall include appropriate identification of the customer or service issue, the time, the date, and the action taken to alleviate the trouble or satisfy the written complaint. This record shall be available to the Commission upon request.
 - (c) Each public wastewater utility, within ten (10) business days after being notified of a customer complaint filed with the Consumer Services Division of the Commission, shall file a written response to that complaint with the Commission's Consumer Services Division.
 - (d) Each public wastewater utility shall provide a means by which it may be contacted at any time in the event of a service failure or emergency or by which a customer or applicant may leave a message reporting such failure or emergency.
 - (e) Insofar as practicable, every customer affected shall be notified in advance of any contemplated work which will result in interruption of service for more than twenty-four (24) hours, but such notice shall not be required in case of interruption due to situations beyond the control of or not reasonably foreseeable by the public wastewater utility.

Authority: T.C.A. §§ 65-2-102 and 65-4-104. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility

Commission,” “Authority” references were changed to “Commission,” “Authority Director” references were changed to “Commissioner,” and “Chief” references were changed to “Director.”

1220-04-13-.13 CUSTOMER BILLING.

- (1) The Commission shall approve the rates that are included in the tariff submitted by the public wastewater utility before customers are charged for wastewater services. All bills for wastewater service shall state how the charge is calculated. The bill/statement shall contain the name, address, and telephone number of the public wastewater utility’s main office. A bill based upon water usage shall include applicable language as found in Rule 1220-04-03-.16.
- (2) Bills shall be rendered at regular intervals as described in the public wastewater utility’s approved tariff. Public wastewater utilities shall not send a customer two successive estimated bills, except due to extenuating circumstances.
- (3) No public wastewater utility shall charge, demand, collect or receive any greater, less, or different compensation for provision of wastewater service or for any service connected therewith, than those rates and charges approved by the Commission and in effect at the time of service. Each customer within a given classification (i.e., residential, commercial, or industrial) shall be charged the same approved rate, including tap fees, as every other customer within that classification, unless reasonable justification is shown for the use of a different rate (e.g., high strength effluent), and a contract or tariff setting the different rate has been filed and approved by the Commission.
- (4) Where a public wastewater utility finds that through no fault of the customer the customer’s wastewater service is interrupted and remains out of service in excess of twenty four (24) hours after the customer has notified the public wastewater utility of the interruption, the public wastewater utility shall refund to that customer the pro-rata portion of the month’s charges for the period of days during which the service was not provided. The public wastewater utility may refund the amount owed as a credit toward the customer’s subsequent bill for service. This paragraph applies only to public wastewater utilities having service tariffs that provide for charges on a non-metered rate.
- (5) Bills which are incorrect due to meter or billing errors shall be adjusted as found in Rule 1220-04-03-.18.

Authority: T.C.A. §§ 65-2-102 and 65-4-104. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; “Tennessee Regulatory Authority” references were changed to “Tennessee Public Utility Commission,” “Authority” references were changed to “Commission,” “Authority Director” references were changed to “Commissioner,” and “Chief” references were changed to “Director.”

1220-04-13-.14 DENYING OR DISCONTINUING SERVICE.

- (1) No public wastewater utility shall discontinue service to any customer, without first providing adequate notice to the customer, provided, however, where an emergency exists fraudulent use is detected, or a dangerous condition is found to exist on the customer’s premises, the public wastewater utility may cut off water service without such notice by use of the cutoff valve or by agreement with the water provider.
- (2) The public wastewater utility shall refuse new wastewater service after the effective date of these rules unless a customer agrees in writing to a “Subscription Service Contract” that would for the reasons listed in this part allow either:

- (a) The public wastewater utility to install and have exclusive right to use a cutoff valve in the water line between the water meter and the premises (or in customer's water line where no meter exists) in accordance with both the rules and regulations of the public wastewater utility, as found in the tariff approved by the Commission, and this rule; or
 - (b) The public wastewater utility to execute an agreement with a water provider to terminate water services. If the water service is discontinued based on an agreement between a water service provider and the public wastewater utility, this agreement shall be submitted and on file with the Commission prior to any termination of water service in accordance with its provisions so that each customer is treated in a just and reasonable manner.
- (3) The following shall not constitute sufficient cause for refusal of service to a present or prospective customer:
- (a) Non-payment for service by a previous occupant of the premises to be served.
 - (b) Failure to pay for merchandise or special services purchased from the public wastewater utility.
 - (c) Failure to pay the bill of another customer as guarantor thereof.
 - (d) Failure to pay for a different type or class of public wastewater utility service.
- (4) The public wastewater utility's tariff on file with the Commission shall define all terms and conditions that relate to denying or discontinuing wastewater service.
- (5) When a prospective customer is refused service, or an existing customer has service disconnected under the specific provisions included in the public wastewater utility's tariff approved by the Commission, the public wastewater utility shall notify the customer or prospective customer promptly of the reason for refusal. The notification shall include an explanation of the Commission's dispute resolution process found in Rule 1220-01-03. A copy of such notification or other documentation shall be sent within five (5) business days to the local county health department and the Commission. If service is disconnected using a water shut-off valve, the utility is not required to notify the county health department.

Authority: T.C.A. §§ 65-2-102 and 65-4-104. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility Commission," "Authority" references were changed to "Commission," "Authority Director" references were changed to "Commissioner," and "Chief" references were changed to "Director." Amendments filed September 5, 2018; effective December 4, 2018.

1220-04-13-15 RECONNECTION.

- (1) The public wastewater utility's tariff on file with the Commission shall define actions of the public wastewater utility to promptly restore service to the customer in all cases of discontinuance of service where the cause for discontinuance has been corrected, and there has been compliance with all rules of the public wastewater utility on file with the Commission.

Authority: T.C.A. §§ 65-2-102 and 65-4-104. **Administrative History:** Public necessity rule filed December 29, 2005; effective through June 12, 2006. Original rule filed March 29, 2006; effective June 12, 2006. Administrative changes made to this chapter on April 27, 2018 pursuant to Public Chapter 94 of 2017; "Tennessee Regulatory Authority" references were changed to "Tennessee Public Utility

Commission,” “Authority” references were changed to “Commission,” “Authority Director” references were changed to “Commissioner,” and “Chief” references were changed to “Director.”

1220-04-13-.16 TRANSACTION WITH AFFILIATES.

- (1) This rule shall apply to all affiliate transactions between a public wastewater utility and any affiliate thereof. The primary purpose of this rule is to protect the ratepayers of a public wastewater utility from unauthorized or unwarranted cross-subsidies.
- (2) For purposes of this rule, the following definitions shall apply:
 - (a) Affiliate – any person who, directly or indirectly, is in control of, is controlled by, or is under common control with a public wastewater utility.
 - (b) Affiliate Transaction – any sale, lease trade, purchase, or transfer of goods, or services between a public wastewater utility and any affiliate thereof. The term also means any sale, lease, trade, purchase, or transfer of assets, goods, or services between the accounts for the regulated and nonregulated activities of a single public wastewater utility.
 - (c) Asset – any tangible or intangible property, or other right, entitlement, item, or thing of value that is recorded or should be recorded in the public wastewater utility’s Balance Sheet Accounts prescribed by the Uniform System of Accounts under 1220-04-01-.11(1)(h).
 - (d) Control – the ownership of twenty percent (20%) or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or twenty percent (20%) or more of the equity interests in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person.
 - (e) Cross-subsidy – the unauthorized over-allocation of cost to a public wastewater utility resulting in an under-allocation of cost to an affiliate.
 - (f) Direct cost – with regard to a particular good or service, the cost solely attributable, on a cost-causative basis, to the production or provision of such individual good or service, where the attribution does not require the use of allocations to separate the common costs incurred in the production or provision of other goods or services.
 - (g) Fair market Value – the sales price that could be obtained by selling an asset in an arm’s-length transaction to a nonaffiliated entry in an open market.
 - (h) Fully Allocated Cost – with regard to a particular good or service, the sum of the direct cost and indirect cost of such individual good or service.
 - (i) Good – any tangible or intangible property, item, or other thing of value that is recorded or should be recorded in the public wastewater utility’s Income Accounts prescribed by the Uniform System of Accounts under 1220-04-01-.11(1)(h).
 - (j) Indirect Cost – with regard to a particular good or service, the cost, other than direct cost, properly attributable to the production or provision of such individual good or service; including the allocation of all common and overhead costs.

- (k) Market Rate – the lowest price that is available for comparable goods or services from nonaffiliated entities in an open market.
 - (l) Net Book Value – the original cost of an asset less accumulated depreciation.
 - (m) Person – a corporation, limited liability company, partnership, sole proprietor, enterprise, association, trust, cooperative, concern, individual, or any other entity.
 - (n) Service – any labor-related activity including but not confined to, auditing, accounting, consulting, engineering, managing, operating, financing, and legal, that is recorded or should be recorded in the public wastewater utility's Balance Sheet and Income Accounts prescribed by the Uniform System of Accounts under 1220-04-01-.11(1)(h).
- (3) A public wastewater utility shall record all affiliate transactions in its accounts as prescribed by the Uniform System of Accounts required under Rule 1220-04-01-.11(1)(h).
- (4) When a public wastewater utility is a party to an affiliate transaction, as defined in this rule, the following methods must be used to record the transaction in the public wastewater utility's accounts:
- (a) When an affiliate sells, leases, trades, or transfers an asset to a public wastewater utility, such transactions shall be recorded in the public wastewater utility's accounts at the lower of the affiliate's net book value or the fair market value of the asset.
 - (b) When a public wastewater utility sells, leases, trades, or transfers an asset to an affiliate, such transaction shall be recorded in the public wastewater utility's accounts at the tariff rate if an applicable tariff is on file with the Commission. If no tariff is applicable, such transaction shall be recorded in the public wastewater utility's accounts at the higher of the public wastewater utility's net book value or the fair market value of the asset.
 - (c) When an affiliate sells, leases, trades, or transfers goods or services to a public wastewater utility, such transaction shall be recorded in the public wastewater utility's accounts at the affiliate's fully allocated cost or the market rate, whichever is lower.
 - (d) When a public wastewater utility sells, leases, trades, or transfers goods or services to an affiliate, such transaction shall be recorded in the public wastewater utility's accounts at the tariff rate if an applicable tariff is on file with the Commission. If no tariff is applicable, such transaction shall be recorded in the public wastewater utility's accounts at the public wastewater utility's fully allocated cost or the market rate, whichever is higher.
- (5) A public wastewater utility shall record the following minimum information regarding each affiliate transaction:
- (a) The name of the affiliate involved in the transaction.
 - (b) A description of the transaction, including:
 - 1. The date of execution;
 - 2. The business purpose underlying the transaction;
 - 3. The starting date and termination date if the transaction is to be performed over a period of time; and

4. Identification of the assets), good(s), or service(s) related to the transaction.
 - (c) If the transaction involves an asset, the net book value and the fair market value of the asset. Fair market value may be substantiated by auction, appraisal, competitive bids, supplier catalogs, vendor price lists, advertisements, or clearly comparable transactions.
 - (d) If the transaction involves a good or service, the fully allocated cost incurred to produce or provision the good or service and the market rate of the good or service. The market rate may be substantiated by auction, appraisal, competitive bids, supplier catalogs, vendor price lists, advertisements, or clearly comparable transactions.
- (6) A public wastewater utility shall preserve and maintain all records and information related to affiliate transactions required under subsection (4) of this rule for a minimum period of three (3) years as specified in Rule 1220-04-13-.03.
- (7) In the Annual Report required to be filed with the Commission pursuant to Rule 1220-04-13-.04(1)(c), the public wastewater utility shall state for the reporting period whether or not it was a party to any affiliate transactions, as defined in this rule. If the public wastewater utility engaged in such affiliate transactions during the reporting period, it shall in its Annual Report:
 - (a) Identify each affiliate by name and business address:
 - (b) Describe the affiliate relationship between each affiliate and the public wastewater utility; and
 - (c) For each affiliate, report the total dollar amount of affiliate transactions recorded in the public wastewater utility's accounts as follows:
 1. The total dollar amount of assets, goods, and services sold, leased, traded, or transferred to each affiliate by the public wastewater utility during the reporting period; and
 2. The total dollar amount of assets, goods, and services sold, leased, traded, or transferred to the public wastewater utility by each affiliate during the reporting period.
- (8) A public wastewater utility and each affiliate thereof shall provide the Commission, its staff, and its agents with full access to all relevant books and records of such entities in connection with the Commission's regulatory responsibilities to examine any costs sought to be recovered by the public wastewater utility in rate proceedings or to determine a public wastewater utility's compliance with this rule.
- (9) For good cause the Commission may waive any of the requirements or provisions of this rule on the written application of any interested party or on its own motion. The Commission shall, after hearing, state the basis of any such waiver and may impose conditions or limitations on any such waiver consistent with the purpose of this rule.

Authority: T.C.A. §§ 65-2-102 and 65-4-104. **Administrative History:** Original rule filed September 5, 2018; effective December 4, 2018.

1220-04-13-.17 MINIMUM REQUIREMENTS FOR NEW AND AMENDMENTS TO CERTIFICATE OF CONVENIENCE AND NECESSITY.

- (1) Any public wastewater utility requesting a Certificate of Public Convenience and Necessity ("CCN") in accordance with Tenn. Code Ann. §§ 65-4-201, *et seq.*, shall file an application

that complies with Rule 1220-01-01-.03 and this rule. Each applicant shall demonstrate to the Commission that it possesses sufficient managerial, financial, and technical capabilities to provide the wastewater services for which it has applied. Each application shall demonstrate that there exists a public need for wastewater service and include the required financial security consistent with Tenn. Code Ann § 65-4-201, and these rules.

(2) Applications for a new or expanded CCN shall include the following information:

(a) General information about the applicant and the proposed system:

1. The legal corporate name, physical address and mailing address of the applicant.
2. An organizational chart showing each officer and any other key personnel by name and ~~title~~[title].
3. A list of owners, members and officers of the wastewater utility. Provide the address, telephone number, and percentage ownership of each individual. If different, list the names of owners, members and officers located in Tennessee.
4. If the applicant has affiliated companies, provide a corporate organization chart showing all affiliate relationships. Describe in detail any transactions, direct or indirect, that occur or are expected to occur between affiliated entities.
5. A copy of the applicant's articles of incorporation, partnership agreement, and/or by-laws.
6. A copy of the applicant's license to engage in business within the State of Tennessee registered with the Secretary of State, inclusive of any assumed names of the company.
7. A complete description of the geographic territory to be served by the applicant, including the name and location of development (subdivision) and the number of acres. Include the name of the subdivision or development and the name of the wastewater system as stated in the TDEC permit. In addition, provide a legible map of the area with the proposed service territory clearly and accurately plotted. The map should include:
 - (i) The location of the wastewater system, i.e., treatment plant, pre-application treatment facilities, collection infrastructure, building(s) for equipment, drip fields, disposal fields and/or wetland cells. Include the physical address of the wastewater system and the associated latitude and longitude coordinates.
 - (ii) The names of surrounding streets and roads.
 - (iii) A map to show access roads and names of access roads (if available) and other utilities necessary to provide wastewater service.
 - (iv) All residences and habitable structures served by the wastewater system.
 - (v) Any portion of the areas that will not be served when the wastewater system becomes operational. If the wastewater system will be operational in phases, show the phases on the map.
8. A description of the type of proposed wastewater system to be constructed including the design capacity and the maximum potential number of customers

the public wastewater utility will service in the proposed service area. Indicate the technology used for the wastewater system (e.g., membrane, sand filter, wetland cell and/or lagoon). The type of system and design capacity should match the type and design capacity of the associated TDEC permit and permit application.

9. The estimated dates for the commencement and completion of the construction of the system and the estimated date the wastewater system will be placed into service. If the wastewater system will be constructed or placed into service in phases, provide the anticipated dates for each phase.
 10. If portions of the wastewater system will be built in phases, state how many phases and the number of houses or units to be connected in each phase.
 11. Identify the builder or developer that has requested [that] the utility ~~to~~ provide wastewater service. Include [the] name of company, ~~name of~~ primary contact, title, mailing address, email address, and phone number.
 12. Respond completely to all information requests by Commission staff.
- (b) Evidence that the requisite property rights and public need exists for wastewater services in the proposed service area:
1. A letter(s) from local government(s) and public wastewater utilities in or near the proposed service area stating that they do not provide wastewater service to the proposed service area and that they are unable or unwilling to provide wastewater service to the proposed service area within the ensuing twelve (12) months.
 2. As applicable, a copy of any application for a franchise and the franchise agreement issued by a city ~~of~~[or] county.
 3. All contracts or agreements between the builder(s) of the treatment and/or collection system, the utility, and the property and/or subdivision developer that show entitlement or ownership to the land, system specifications, costs for the wastewater system, timeline for the system to be built, and rights to the system once it is completed. Documents presented by the applicant should be signed by all parties and bear marks or stamps, such as those provided by notaries or public officials, as necessary.
- [(i) A copy of the construction agreement(s) for the treatment and/or collection of the system signed by all parties shall be filed with the Commission before the commencement of construction of the wastewater system.
- (ii) A copy of the deed(s) and/or easement(s) for all the utility's land and ownership rights to the wastewater system shall be filed with the Commission before any customers are connected to the wastewater system.
- (iii) Once the area of development is approved by the city and/or county government, a copy of the signed plat shall be filed with the Commission before any customers are connected to the wastewater system.]
- (c) Evidence that the applicant possesses sufficient managerial ability:
1. Biographies of officers and/or key wastewater utility staff that demonstrate managerial ability. Include a list of certifications or professional licenses held by officers or wastewater utility staff with documentation.
 2. Identify all states where the applicant is certified as a wastewater provider and/or the status of certification in states where an application is pending.

3. Copies of all contracts related to any pending merger or acquisition of the applicant, corporate parent or affiliate.
 4. Proof that the party contracted to install the proposed system has a valid and current contractor's license ~~by~~[from] the applicable licensing board of the State of Tennessee. ~~[A copy of the contractor's license shall be filed with the Commission prior to the commencement of construction of the wastewater system.]~~
- (d) Evidence that the applicant possesses sufficient technical ability:
1. A copy of the application for the State Operating Permit ("SOP") filed with TDEC. Include the letter from TDEC indicating the receipt of a complete application. Include any engineering and/or design reports submitted to TDEC, such as the Design Development Report and the Detailed Soils Investigation Report. If an operating permit has been issued, provide a copy of the permit. ~~The utility shall file a copy of the TDEC permit in the docket file prior to providing service.~~[A copy of the final SOP shall be filed with the Commission prior to connecting any customers to the wastewater system.]
 2. A copy of the State Operator Certificate for the wastewater system operator of record. If the operator is a contract employee of the utility, provide a copy of the employment contract. ~~[A copy of the State Operator Certificate shall be filed with the Commission before any customers are connected to the wastewater system.]~~
 3. The name, address, and telephone number of the technical contact person responsible for and knowledgeable about the applicant's proposed operations in Tennessee.
 4. A list of any complaint(s), notices of violation or administrative action filed with or issued by a regulatory agency. Identify the nature of the complaint notices of violation or administrative action, which agency is involved, and how the issue was or is being resolved.
 5. A ~~[copy of the as-built plans signed by the utility certifying that the wastewater system has been inspected and is approved to begin operations shall be filed with the Commission before any customers are connected to the wastewater system.]~~~~certification from a design engineer that the wastewater system was constructed in accordance with the TDEC approved construction plans and specifications. The certification shall be filed in the docket file prior to providing service.~~
- (e) Evidence that the applicant possesses sufficient financial capability:
1. Financial statements for the applicant covering the most recent year ended. Include a balance sheet, income statement, and statement of cash flows.
 2. Pro forma income statements for the wastewater utility for the first three (3) years of operations or for an expanded amended CCN, the first three years after the latest year-end financials. In the calculations of utility revenues show the number of consumers and the rates used in the calculations. Show operation and maintenance expenses by account number and provide the basis and/or assumptions used to arrive at these amounts.
 3. A chart of accounts for the wastewater utility, following the NARUC Uniform System of Accounts (USA) for wastewater utilities.
 4. A list of all plant-in-service account numbers with account names and estimated account balances as of the state of operations.

5. The depreciation rates the applicant intends to use for each plant account that will be on the wastewater utility's books. Include the estimated useful life of each account. If no depreciation study has been performed, explain the basis for these rates.
 6. The total estimated detailed cost of construction of the wastewater system to be constructed for the proposed service area. If the wastewater system will be constructed in phases, provide detailed construction cost estimates for each phase. Indicate whether the developer or the applicant will pay for the construction of the system.
 7. Indicate the identity of the owner(s) of the wastewater system once construction is complete. If a party other than the utility pays the cost of construction and transfers ownership of the wastewater system to the applicant, provide a detailed breakdown of the estimated amount of contributed capital that will be recorded on the applicant's financial books. [A detailed breakdown by USOA plant account of the final amount of contributed capital that will be recorded on the applicant's books shall be filed with the Commission before any customers are connected to the wastewater system.]
 8. A tariff showing products, services, terms, conditions and proposed rates to be charged for wastewater service. A tariff should include all pass-through fees, including but not limited to, customer deposits, disconnect or reconnect fees, late fees, tap fees, escrow fees, bond fees, franchise fees and taxes.
 9. Provide estimates of costs and customers added by month for the first five (5) years based upon the construction build-out schedule for developers in the service area of the proposed wastewater system. For each year, by month, provided an estimated number of customers by customer class anticipated to be served by the wastewater system. Include the utility's basis and assumptions used for this projection. Provide this information in a spreadsheet in Microsoft Excel format with all assumptions clearly documented.
 10. Documentation describing bonding requirements imposed by municipal governments for the proposed wastewater system.
 11. Demonstrate that the applicant has acquired a performance bond[, an irrevocable letter of credit, or other sufficient financial security approved by the Commission,] from the developer or builder of the wastewater system made payable to the Utility to ensure construction of the wastewater system. The performance bond[, irrevocable letter of credit, or other financial security approved by the Commission] should be for an amount equal to or greater than the cost of the system as provided in contracts between [the] builder, developer[,] and/or utility. [A copy of the performance bond, irrevocable letter of credit, or other financial security approved by the Commission shall be filed with the Commission prior to the commencement of construction of the wastewater system.]
 12. List all funding sources available to the applicant for the wastewater system proposed by the applicant.
 13. Provide information demonstrating compliance with the financial security requirement of Rule 1220-04-13-.07.
- (f) Sworn pre-filed written testimony by the applicant's owner, member, officer or other principal having knowledge of the applicant's operations and the proposed wastewater system. The testimony should, at a minimum, include the following information:
1. Evidence that a public need exists for wastewater services in the proposed service

- area.
2. A description of the wastewater system and the services to be provided.
 3. A statement that the applicant is aware of and will abide by all applicable Tennessee statutes and TPUC Rules.
 4. A discussion and demonstration of [the] technical, managerial, and financial capability of the applicant to provide the proposed wastewater service.
 5. A statement that the applicant is aware of the requirement of Rule 1220-04-13-.09(7) concerning the completion of the construction of the wastewater system within three years of TPUC's written approval of the CCN.
 6. A signed affidavit stating that all information submitted concerning the wastewater CCN application is true and correct to the best of the witness[']s knowledge and belief.

Authority: T.C.A §§ 65-2-102, 65-4-104, 65-4-201, and 65-4-204. **Administrative History:** Original rule filed September 5, 2018; effective December 4, 2018.

[1220-04-13-.18 RESERVE/ESCROW ACCOUNTS.

- (1) Definitions
 - (a) Reserve/escrow accounts are funds that are maintained in a separate, dedicated bank account with uses limited to emergency expenditures, necessary capital projects, or other uses as permitted by the Commission.
 - (b) Emergency expenses are those resulting from events that are infrequent and unusual in nature, and unrelated to the utility's routine service or business activities.
 - (c) Necessary capital projects are expenditures other than routine operations and maintenance expenses required to repair, replace, or upgrade long-lived wastewater property, plant and equipment and include, but are not limited to, repairing line breaks, major pump repairs, pump replacements, major vault repairs, vault replacements, major panel upgrades, panel replacements, and plant upgrades and replacements.
- (2) Reserve/escrow accounts established by a public wastewater utility shall be limited to paying for or reimbursing the utility for emergency expenses of the utility or for necessary capital projects, unless otherwise permitted by the Commission.
 - (a) The Commission may require public wastewater utility employees having signature authority over such accounts to obtain a fidelity bond.
 - (b) The public wastewater utility's tariff shall set forth the specific amount charged to customers to fund the reserve/escrow account. Such escrow charges and changes thereto shall be approved by the Commission.
- (3) Procedures for accessing escrow/reserve account funds
 - (a) Within thirty days of accessing escrow funds, a utility must file a written notice with the Commission detailing the situation that required the use of escrow funds, the amount and date of the withdrawal, and an accounting of how the funds were used, inclusive of supporting documentation such as invoices, bank statements, and account ledgers. The Commission or its designee will decide whether the circumstances and use of the funds qualify as an emergency expense or a necessary capital project.

- (b) If it is determined that the withdrawal of escrow funds was not due to an emergency expense or necessary capital project, it will notify the utility to either reimburse the escrow account for the amount of the withdrawal or file a petition with the Commission requesting to use the withdrawn funds for the specified purpose. If, within thirty days of the Commission's notice, the utility fails to either reimburse the escrow account for the withdrawn funds or file a petition requesting approval to use the withdrawn funds, the Commission may order the utility to reimburse the escrow account with interest and may impose a civil penalty for the improper withdrawal.
- (c) Prior to withdrawing escrow funds, a utility may file a petition requesting to use escrow funds for a purpose other than emergency expenses or necessary capital projects, and upon approval by the Commission, the utility may access escrow funds for such purposes.
- (4) The TPUC may waive or modify requirements of this rule for good cause shown, including but not limited to affordability of rates, minimization of rate shock, or other operating characteristics of the utility.

Authority: *T.C.A. §§ 65-2-102, 65-4-111, and 65-4-305.*