



Regulation of Franchises

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

The University of Tennessee
Municipal Technical Advisory Service
1610 University Avenue
Knoxville, TN 37921-6741
865-974-0411 phone
865-974-0423 fax
www.mtas.tennessee.edu

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T.C.A. Title 65, particularly Chapters 4 and 5, give the Tennessee Public Utility Commission extensive authority to regulate privately owned public utilities, and limited authority to regulate municipally owned public utilities. Tennessee municipal utilities are expressly excluded from the definition of "public utilities" for those purposes in T.C.A. § 65-4-101(a)(2). But the Tennessee Public Utility Commission's regulation of municipal utilities comes through its right to regulate the relationship between public utilities and municipalities.

Franchise payments by a public utility for the use of municipal streets made after February 24, 1961, are, insofar as practicable, to be billed pro rata to the public utility's customers. T.C.A. § 65-4-105(e).

Franchises granted to any public utility by the state or any political subdivision must have the approval of the Tennessee Public Utility Commission, which must hold a hearing to determine whether the franchise is necessary for the public convenience. T.C.A. § 65-4-107. T.C.A. § 65-4-201 prohibits a public utility from extending services to a municipality already being served by another utility unless it obtains a certificate of convenience.

A public utility can appeal to the Tennessee Public Utility Commission any order or regulation made by a municipality, and the Tennessee Public Utility Commission can resolve such an appeal. T.C.A. § 65-4-109.

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."

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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