

A Brief History of Water Loss Reporting Requirement in Tennessee

2007:

Prior to 2007, there was no state requirement to report water loss for community water systems in Tennessee. The Tennessee State Legislature passed a bill effective July 1, 2007 requiring that water loss be included in the annual audit sent to the State Comptroller by the utility. The new law also assigned enforcement authority to the Water and Wastewater Financing Board for municipal systems and the Utility Management Review Board for Utility Districts.

2009:

In the spring of 2009, the Comptroller's office sent a letter to all the community water systems who were required to submit water loss information in their audit. The following statement was included in that letter. *The majority of the water loss information that has been included in the audits received by the Division of Municipal Audit for any fiscal year ending in 2008 has not been consistent with the "manner prescribed by the comptroller of the treasury".*

That same letter also stated that all systems must utilize the template as provided by the Comptroller to report their "Unaccounted for water". The template is shown below.

Town/Utility District of Anywhere
Schedule of Unaccounted For Water
June 30, 2009

(All amounts in gallons)

A	<i>Water Treated and Purchased:</i>		
B	<i>Water Pumped (potable)</i>	2,000,000	
C	<i>Water Purchased</i>	500,000	
D	<i>Total Water Treated and Purchased</i>		2,500,000
	<i>(Sum Lines B and C)</i>		
E	<i>Accounted for Water:</i>		
F	<i>Water Sold</i>	1,800,000	
G	<i>Metered for Consumption (in house usage)</i>	200,000	
H	<i>Fire Department(s) Usage</i>	50,000	
I	<i>Flushing</i>	10,000	
J	<i>Tank Cleaning/Filling</i>	7,200	
K	<i>Street Cleaning</i>	0	
L	<i>Bulk Sales</i>	0	
M	<i>Water Bill Adjustments</i>	2,000	
N	<i>Total Accounted for Water</i>		2,069,200
	<i>(Sum Lines F thru M)</i>		
O	<i>Unaccounted for Water</i>		430,800

P **(Line D minus Line N)**
Percent Unaccounted for Water 17.232 %
(Line O divided by Line D times 100)

Q **Other (explain)** See Below

Explain Other:

Used in Horticulture 150,000

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

2010:

In the winter of 2010, both the Water and Wastewater Financing Board and the Utility Management Review Board agreed upon a "Percentage Goal" for *Unaccounted for water* and announced that in the future the State would change to the AWWA methodology for water loss and now longer require the template for unaccounted for water as provided in 2009. Listed below is that announcement:

In accordance with TCA 7-82-702 and 68-221-1009(a), the Utility Management Review Board and the Water and Wastewater Financing Board have set an excessive water loss percentage at 35%. That means that any water system reporting a water loss of 35% or higher (using the current method) in its annual financial statements will be referred to the appropriate board for further action. This determination was made at the joint meeting of the Boards held on October 7, 2010.

The Boards also voted at the joint meeting on October 7, 2010 to adopt the American Water Works Association (AWWA) water loss methodology for any audited financial reports received by the Comptroller of the Treasury after January 1, 2013. Between now and January 1, 2013, audited financial statements may include both methods, but the current percentage method MUST be included for an statements received by the Comptroller before January 1, 2013.

2012:

At a joint meeting of the Water and Wastewater Financing Board and the Utility Management Review Board on June 6, 2012, the Boards decided to reaffirm the October 7, 2010, decision to adopt the American Water Works Association (AWWA) water loss methodology for inclusion in any audited financial statements received by the Comptroller of the Treasury on or after January 1, 2013. The water loss methodology can be obtained from www.AWWA.org

At the June 6, 2012, meeting the following was adopted by the Boards:

- I. *Require that the AWWA Excel Spreadsheet (in the specific format created by utilizing the AWWA Free Water Audit Software) be submitted electronically in an Excel format. It is the intention of the Boards that the AWWA Excel spreadsheet be filed by the contracted auditor in Excel format at the same time the annual audited financial statements are filed. The Excel spreadsheet is not considered audited information, but only submitted simultaneously. This requirement should not be confused with and does not replace the supplemental schedule (i.e., the single "Reporting Worksheet") included as part of the annual audited financial statements as required by Tennessee Code Annotated.*

- II. *In accordance with TCA 68-221-1010(d)(1) and TCA 7-82-401(h)(1), failure to include the required schedule constitutes excessive water loss and...referral to the appropriate board. **THEREFORE, failure to include the AWWA schedule in audited financial statements received by the Comptroller of the Treasury on or after January 1, 2013, will result in the System being referred to the appropriate Board.***

- III. *Further, utilities will be referred to the Boards based on:*
 - A. *Incomplete AWWA water audit submitted anytime on or after January 1, 2013;*
 - B. *For audits received by the Comptroller of the Treasury from 1/1/2013 to 12/31/2014 - Validity score of 65 or less or non-revenue water as a percent by cost of operation system of 30% or greater;*
 - C. *For audits received by the Comptroller of the Treasury from 1/1/2015 to 12/31/2016 - Validity score of 70 or less or non-revenue water as a percent by cost of operation system of 25% or greater;*
 - D. *For audits received by the Comptroller of the Treasury from 1/1/2017 to 12/31/2018 - Validity score of 75 or less or non-revenue water as a percent by cost of operation system of 20% or greater;*
 - E. *For audits received by the Comptroller of the Treasury from 1/1/2019 to 12/31/2020 Validity score of 80 or less or non-revenue water as a percent by cost of operation system of 20% or greater.*

Failure to achieve the designated levels will result in a referral to the Board(s).

The requirements will be reviewed by the Boards annually to ensure the desired results are being achieved. The levels are subject to change by approval of the Board(s).

The AWWA version at that time was version 4.2. This announcement eliminated the 2010 35% goal and replaced it with the triggers listed in the announcement.

2014:

In 2014 AWWA rolled out a replacement to the 4.2 version with the 5.0 version. The Comptroller's office then said any audit received after January 1, 2015 must use AWWA's 5.0 version.

2016:

Tennessee is currently using 5.0 version of the AWWA water loss methodology.

The current Tennessee Code Annotated section which states the powers and duties of the Water and Wastewater Financing Board is shown below.

68-221-1009. Wastewater financing board -- Powers and duties.

(a) Duties and authority of the board include, to:

(7) Establish, adopt and promulgate, in accordance with the Uniform Administrative Procedures Act, rules to define excessive water losses for public water systems; and

(8) In the case of public water systems, to investigate public water systems whose water loss as reported in the public water system's audit is excessive as established by rules promulgated by the board and to require those public water systems to take appropriate actions to reduce water loss to an acceptable level as determined by the board.

(b) The board shall be authorized to act only as to those water systems and wastewater facilities brought before it upon recommendation of the comptroller of the treasury as provided in § 68-221-1010.

January 13 2016, Steve Wyatt