

**PUBLIC CHAPTER NO. 405****SENATE BILL NO. 663****By Burchett****Substituted for: House Bill No. 632****By Overbey, Bibb, Strader, Tindell**

AN ACT to amend Tennessee Code Annotated, Title 8, Chapter 17, relative to ethical standards for water, wastewater and gas authorities created by a private act and for utility districts.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 8-17-102(a)(2), is amended by deleting the following language:

. Also, likewise, for purpose of this chapter, utility districts shall be considered a county department and its employees shall be considered county employees

SECTION 2. Tennessee Code Annotated, Section 8-17-102(c), is amended by deleting the language in this subsection (c) in its entirety and substituting instead the following language:

(c) Utility districts shall be considered separate governmental entities and shall be governed by ethical standards established by the board of commissioners of the utility district in conformity with T.C.A. § 8-17-105(b). Water, wastewater and gas authorities created by a private act or under the general law shall be considered separate governmental entities and shall be governed by ethical standards established by the governing board of the water, wastewater or gas authority in conformity with T.C.A. § 8-17-105(b).

SECTION 3. Tennessee Code Annotated, Section 8-17-105, is amended by designating the existing language as subsection (a) and by adding the following language as a new designated subsection (b):

(b)(1) In order to provide guidance and direction to water, wastewater and gas authorities created by a private act or under the general law and to utility districts, the Tennessee Association of Utility Districts (TAUD) shall prepare a model of ethical standards for officials and employees of water, wastewater and gas authorities created by private act or under the general law and of utility districts. Such model shall be submitted to the Utility Management Review Board for its review and approval pursuant to T.C.A. § 7-82-702(16). The Utility Management Review Board must approve by order the TAUD model of ethical standards before the model can be adopted by any water, wastewater or gas authority created by a private act or under the general law or by any utility district. After the

Utility Management Review Board approves the TAUD model, the TAUD model shall be filed with the commission.

(2) The governing body of a water, wastewater or gas authority created by a private act or under the general law or of a utility district which adopts ethical standards for its officials and employees must either adopt the TAUD model of ethical standards approved by the Utility Management Review Board or must adopt ethical standards which are more stringent than the TAUD model. If a water, wastewater or gas authority created by a private act or under the general law or a utility district adopts ethical standards which are different from and more stringent than the TAUD model, the more stringent ethical standards shall be submitted to the Utility Management Review Board which shall make a finding by order that the ethical standards adopted are more stringent than the TAUD model.

(3) Any water, wastewater or gas authority created by a private act or under the general law or any utility district that adopts the TAUD model of ethical standards is not required to file its ethical standards with the commission but shall notify the commission in writing that the TAUD model of ethical standards was adopted and the date such action was taken.

(4) Any water, wastewater or gas authority created by a private act or under the general law or any utility district which does not adopt the TAUD model of ethical standards or ethical standards more stringent than the TAUD model shall be governed by the ethical standards established by the county legislative body of the county in which the water, wastewater or gas authority created by a private act or under the general law or the utility district has the largest number of customers.

SECTION 4. Tennessee Code Annotated, Section 7-82-702, is amended by adding the following language as a new subsection (16):

(16) Review and approve by order the model of ethical standards prepared by the Tennessee Association of Utility Districts (TAUD) for water, wastewater and gas authorities created by a private act or under the general law and for utility districts pursuant to T.C.A. § 8-17-105(b) and to review and find by order that the ethical standards adopted by any water, wastewater or gas authority created by a private act or under the general law or a utility district which differ from the TAUD model are more stringent than the TAUD model.

SECTION 5. This act shall take effect upon becoming a law, the public welfare requiring it.

**PASSED: May 29, 2007**

  
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RON RAMSEY  
SPEAKER OF THE SENATE

  
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JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

APPROVED this 11th day of June 2007

  
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PHIL BREDESEN, GOVERNOR