

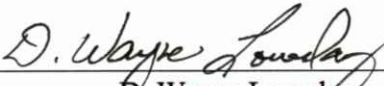


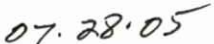
# Supplemental Environmental Project Semi-Annual Report Volume 1

First Semi-Annual Report  
February 11, 2005 - June 30, 2005

Submitted to EPA on July 28, 2005

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering such information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

  
\_\_\_\_\_  
D. Wayne Loveday

  
\_\_\_\_\_  
Date

0000400

# Table of Contents

- 1. Introduction**
- 2. Deposit of Funds to the SEP Escrow by KUB**
- 3. Disbursement of Funds from the SEP Escrow by Escrow Agent to the Third Party Administrator to Pay Plumbers for Services Completed**
- 4. Balance of Funds in the SEP Escrow**
- 5. Payment of Funds by Third Party Administrator to Plumbers**
- 6. Location of Private Residential Properties Where Services Have Been Performed Under the SEP Program**
- 7. SEP Implementation Tasks**
- 8. Tasks Scheduled for the Next Six Months**

## Appendices

Appendix A – Escrow Deposit Documentation

Appendix B – Statement of Work

Appendix C – CAC Process Supplemental Environmental Program  
(Grant) Flow Chart

Appendix D – Grant and Loan Program Income Guidelines

**Supplemental Environmental Project  
First Semi-Annual Report  
February 11, 2005 through June 30, 2005**

**1. Introduction**

KUB is required to perform and complete a Supplemental Environmental Project (SEP) as set forth in Section VIII. Supplemental Environmental Project and Appendix B Supplemental Environment Project of the Consent Decree (CD). *This project was undertaken in connection with the settlement of a civil enforcement action taken by the United States for violations of the Clean Water Act.* This Semi-Annual Report covers events beginning from February 11, 2005 (the Date of Entry of the Consent Decree) through June 30, 2005

In addition to the required SEP funding, KUB has also voluntarily established a low-income, no interest loan program. This program will serve customers earning 60% of the median income. The cost of the lateral repair or replacement will be added to the customers' bill over a period of 48 months.

**2. Deposit of Funds to the SEP Escrow by KUB**

The SEP Escrow Agent established the Escrow Account, and KUB made the first deposit of \$150,000 on March 11, 2005. A copy of the deposit documentation submitted to EPA on March 18, 2005 is in Appendix A.

**3. Disbursement of Funds From the SEP Escrow by Escrow Agent to the Third Party Administrator to Pay Plumbers for Services Completed**

As of June 30, 2005, no disbursements have been made from the SEP Escrow Account. Although KUB has established the Escrow Account and began working with the Third Party Administrator, no customers have been notified to begin lateral repairs or replacements. Notification to customers with defective laterals is scheduled to begin in late August 2005.

**4. Balance of Funds in the SEP Escrow**

The balance in the SEP Escrow Account, as of June 30, 2005, is \$150,741.31. The balance includes total accrued interest of \$741.31 on the first \$150,000 deposit as shown in the table below.

<b>Date</b>	<b>Deposit</b>	<b>Disbursement</b>	<b>Accrued Interest</b>	<b>Balance</b>
03/11/2005	\$150,000.00			\$150,000.00
04/01/2005			\$172.19	\$150,172.19
05/02/2005			\$268.54	\$150,440.73
06/01/2005			\$300.58	\$150,741.31

**5. Payment of Funds by Third Party Administrator to Plumbers**

As of June 30, 2005, no funds have been disbursed by the Third Party Administrator to plumbers for services completed. Disbursement of funds will begin after customers have completed the repair or replacement of their lateral. Notification to customers with defective laterals is scheduled to begin in late August 2005.

**6. Location of Private Residential Properties Where Services Have Been Performed Under the SEP Program**

As of June 30, 2005, no private service laterals have been repaired or replaced under the SEP program. KUB is scheduled to begin notifying customers to repair or replace their lateral in late August 2005. Customers will have 120 days to complete the work to avoid water service termination.

**7. SEP Implementation Tasks**

**Escrow Agreement**

KUB prepared a draft Escrow Agreement for the SEP and submitted to EPA for approval on December 28, 2004. A revised Escrow Agreement was submitted to EPA on January 24, 2005. EPA approved the revised Escrow Agreement February 11, 2005. The final Escrow Agreement was executed February 28, 2005 and named AmSouth Bank as the Escrow Agent. KUB submitted a copy of the executed Escrow Agreement to EPA on March 18, 2005.

**Third Party Administrator**

KUB began discussions in December 2004 with the Knoxville-Knox County Community Action Committee (CAC) about acting as the Third Party Administrator for the SEP. The initial draft contract between CAC and KUB for CAC to administer the SEP was approved by KUB executives in March 2005 and provided to CAC for review in April 2005. A revised contract was approved by KUB executives in May 2005 and is currently being reviewed by CAC. KUB and CAC signed a Statement of Work on June 10, 2005 (Appendix B) that authorizes CAC to begin work on program set-up activities for administering the SEP.

### **SEP Funding Source**

In January 2005, a team of CAC and KUB employees was established to outline and define the SEP concepts and administration requirements based on the roles and tasks defined in the CD. The CAC Process Supplemental Environmental Program (Grant) Flow Chart (Appendix C) shows the process CAC will follow from initial customer contact to documenting the completion of work.

Hardship eligibility qualifications were researched by KUB and CAC, and the recommended hardship eligibility qualifications for receiving SEP funds were approved by KUB and CAC staff in March 2005 (Appendix D).

As a part of KUB's Private Lateral Program enforcement response, notices of non-compliance, violation, and impending water service termination have been drafted and provide customers with the following information:

- The potential availability of SEP funding
- Who to contact to find out about qualifying for SEP funding
- City of Knoxville permit and inspection requirements.

The initial development of a Lotus Notes information management system (IMS) application to track the Private Lateral Program's enforcement response, issuance of City plumbing permits, and the Third Party Administrator's activity for SEP eligible customers is nearing completion. KUB will use the IMS to track inspection, property ownership, enforcement notification, the appeal process, and other customer communications from initial lateral inspection through completion of the repair or replacement of the lateral. The IMS will allow the City of Knoxville to enter the date when plumbing permits are issued, final inspections are completed, and when notices of violation are issued, if applicable. The Third Party Administrator will be able to enter the initial contact with the customer, approval for assistance, cost of repair or replacement, and key dates associated with the repair or replacement of the lateral. The City of Knoxville and the Third Party Administrator will be able to view information entered by KUB as well.

### **8. Tasks Scheduled for the Next Six Months**

Tasks scheduled for the next six months include:

- Finalize contract with Third Party Administrator
- Finalize Lotus Notes IMS
- Train personnel to administer the program
- Develop contract to retain selected plumbers
- Make second SEP funding deposit
- Identify first group of property owners with defective laterals or illicit connections
- Begin private lateral enforcement response and continue SEP implementation.

**Appendix A**

Escrow Deposit Documentation

Steve Roach/ACT/FIN/KUB  
03/11/2005 10:28 AM

To Patricia R Green/ODD/CSV/KUB@KUB  
cc  
bcc  
Subject Fw: SEP Escrow Deposit

History: This message has been forwarded.

FYI

----- Forwarded by Steve Roach/ACT/FIN/KUB on 03/11/2005 10:27 AM -----



kimberly.shaw@amsouth.com

03/11/2005 10:24 AM

To SRoach@kub.org  
cc mark.cavender@amsouth.com  
Subject Re: SEP Escrow Deposit

Steve this is to confirm that the funds have been deposited into the SEP Escrow A/C 2082000792 in the amount of \$150,000 Thanks & have a great weekend.

Kimberly Shaw  
AmSouth Bank  
Custody Services  
Phone (615) 748-2167  
Fax (615) 736-6100  
kimberly.shaw@amsouth.com

----- Forwarded by Kimberly Shaw/Nashville/TN/AMSOUTH BANK on 03/11/2005 09:22 AM -----

Mark Cavender

Shaw/Nashville/TN/AMSOUTH BANK@AMSOUTH BANK  
03/10/2005 04:11  
PM

To: Kimberly  
cc:  
Subject: Re: SEP Escrow Deposit

Please send email confirmation after funding. Thanks.

Mark Cavender  
AmSouth Bank  
Phone(615)736-6755 / fax(615)736-6100  
email: mark.cavender@amsouth.com

NOTICE: This e-mail message & all attachments transmitted with it may contain legally privileged and confidential information intended solely for the use of the addressee.

----- Forwarded by Mark Cavender/Nashville/TN/AMSOUTH BANK on 03/10/2005 03:59 PM -----

"Steve Roach"  
<SRoach@kub.org>  
To:  
mark.cavender@amsouth.com

0000406

"Mark Walker" <MWalker@kub.org>  
03/10/2005 03:49  
PM

cc: JamieDavis@kub.org,  
Subject: Re: SEP Escrow Deposit

Please transfer \$150,000.00 from our AmSouth DDA account #0300000040 to our AmSouth escrow account #2082000792 on Friday, March 11. Please send written confirmation when this has been completed.

Thank you for your assistance.

Steve Roach  
Cash Manager  
865-594-7225  
865-594-7452 fax

mark.cavender@amsouth.com

03/10/2005 04:35  
PM

To  
"Mark Walker" <MWalker@kub.org>  
cc  
SROach@kub.org, JamieDavis@kub.org  
Subject  
Re: SEP Escrow Deposit

How will you fund transfer from checking or wire? Thanks.

Mark Cavender  
AmSouth Bank  
Phone (615) 736-6755 / fax (615) 736-6100  
email: mark.cavender@amsouth.com

NOTICE: This e-mail message & all attachments transmitted with it may contain legally privileged and confidential information intended solely for the use of the addressee.

"Mark Walker"

<MWalker@kub.org

To:

0000407



mark.cavender@amsouth.com

>  
<SRoach@kub.org>, "Jamie Davis" <JamieDavis@kub.org> cc: "Steve Roach"  
Subject: SEP Escrow Deposit

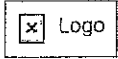
03/10/2005 03:11

PM

Mark,

just to let you know that we will be making our initial deposit of \$150,000  
into this escrow account on Friday (March 11). Please let  
me know if you have any questions. Thanks.

0000408



**AMSOUTH BANK**  
**Account Transaction Inquiry Dtl**

Run on 3/14/2005 8:39:39 AM

RECEIVED FROM KNOXVILLE  
UTILITIES BOARD DDA# 40 PER  
STEVE ROACH TO FUND NEW ACCOUNT

CASH RCVD  
Ref: A/C\* 2082000792 SD\* 03/11/2005 SEQ\* 1

---

Account #	2082000792 Cusip	CASH
Settlement Date	03/11/2005 Principal Cash	150,000.00
Trade/Effective Date	03/11/2005 Funds Code	0-GOOD FUNDS
Tax Code	419-MISC. RECEIPTS - UNKNOWN TAX STATUS	
Income Code	0-NO INCOME CODE	

**Appendix B**

Statement of Work



Knoxville Utilities Board

---

June 10, 2005

Ms. Barbara Kelly  
Executive Director  
Knoxville-Knox County Community Action Committee  
2247 Western Avenue  
Knoxville, Tennessee 37921

Dear Ms. Kelly,

Thank you so much for the assistance of CAC and specifically, Cecilia Waters and the Energy and Housing Services Program, in helping KUB prepare to meet the requirements of our EPA Consent Decree under the Clean Water Act, entered into the United States District Court for the Eastern District of Tennessee, Northern Division, on February 11, 2005.

As you know, the CD requires that KUB implement a Private Lateral Program (PLP) to ensure that our customers' connections to the wastewater system are in good repair. A Supplemental Environmental Program (SEP) also required by the CD will help us to implement the PLP by providing \$2 million for low-income customers to pay for repairs to their laterals.\* KUB has voluntarily committed an additional \$2 million to support a low-income loan program for customers who don't qualify for SEP assistance (KUB Funding Assistance Program). CAC's expertise has been invaluable as we develop processes to implement both of these programs.

We are pleased that CAC is willing to consider a contract to provide administrative services to support the implementation of the SEP and the KUB Funding Assistance Program. KUB authorizes CAC to begin implementation activities for the SEP Program and the KUB Funding Assistance Program. KUB will pay CAC \$37,500 to develop and produce a policy and procedures manual detailing CAC's administration of these programs. I am enclosing a proposed statement of work detailing implementation activities.

Please let us know if there is any way in which we can be of assistance in this matter. We look forward to working with you and your staff in the coming years to ensure that the

Ms. Barbara Kelly  
June 10, 2005  
Page 2

programs we've put in place to serve our community's low-income homeowners are implemented in the most effective way possible. Thank you again for your help in this matter.

Sincerely,



Bill R. Elmore  
Sr. Vice President and Chief Operating Officer

\*This project was undertaken in connection with the settlement of a civil enforcement action taken by the United States for violations of the Clean Water Act.

Enclosure      Statement of Work

0000412

**Statement of Work**

**Between the**

**Knoxville Utilities Board**

**And**

**Knoxville-Knox County Community Action Committee**

It is hereby understood and agreed on this the fifteenth day of June, 2005, that the Knoxville Utilities Board (KUB) will pay to the Knoxville-Knox County Community Action Committee (CAC) the fixed fee of \$37,500 for the provision of services related to the development of a policy and procedures manual for the Supplemental Environmental Program (the "SEP Program"), as required by a Consent Decree under the Clean Water Act entered with the United States District Court for the Eastern District of Tennessee, Northern Division, on February 11, 2005 (the "CD") and a KUB Funding Assistance Program.

1. Period: KUB and CAC agree to enter into this Statement of Work (the "SOW") for start-up and implementation services of the SEP as detailed in the CD and the KUB Funding Assistance Program. Start-up services for implementation of both Programs shall begin on or before June 15, 2005 and shall be completed no later than August 1, 2005. Both parties recognize that they are in good faith negotiations to enter into a contract for CAC to be the third party service provider of KUB's SEP Program as required by the CD and for the KUB Funding Assistance Program.

2. Scope of Work: The CAC will recruit, employ, train and equip staff tasked with developing policies, procedures, forms, and documents required for the implementation, and operation of the SEP Program and the KUB Funding Assistance Program. Specifically, the CAC SEP staff will work in conjunction with the KUB SEP staff to develop an operations handbook, **Policies and Procedures Handbook for the Supplemental Environmental Project and KUB Funding Assistance Program**, which addresses the following elements:

**Client Intake and Eligibility Determination Procedures:**

- Establish procedures and time lines for processing referrals from KUB.
- Establish case documentation requirements.
- Development an application form.
- Procedures for documenting home ownership.
- Define elements of client eligibility.
- Establish documentation requirements for eligibility determination.

**0000413**

- Develop letter formats for notifying clients of eligibility, non-eligibility, or application status.
- Procedures for documenting home ownership.

**Client Services:**

- Establish time lines and protocols for client contact and visitation.
- Develop a client authorization form that details the work to be performed at the client's home.
- Develop a client signature form indicating the acceptance of the completed job.

**Subcontractor Procedures:**

- Develop inspection and cost estimation procedures.
- Establish credential requirements for plumbers/contractors and procedures for bid meeting with contractors.
- Define bid notification and bid procedures.
- Develop procedures for evaluating and awarding bids.
- Determine procedures for identify and selecting prospective plumbers/contractors.
- Develop subcontractor contract format.
- Determine the time lines for beginning and ending each project.
- Develop work order and change order forms.
- Establish inspection procedures for completed work
- Define subcontractor reimbursement procedures.

**Records:**

- Establish record keeping needs and procedures to ensure that records for both the SEP and the KUB Funding Assistance program are separately and appropriately documented.
- The handbook will be reviewed for compliance with all applicable local, state, and federal laws.

4. Review: KUB reserves the right to review the Policies and Procedures Handbook for the Supplemental Environmental Project and KUB Funding Assistance Program to ensure that its components are in compliance with for the Supplemental Environmental Program (the "SEP Program"), as required by a Consent Decree under the Clean Water Act entered with the United States District Court for the Eastern District of Tennessee, Northern Division, on February 11, 2005 (the "CD").

5. Compensation: KUB agrees to pay the CAC the fee of \$37,500 for the development of the handbook.

6. Payment: KUB shall pay CAC upon receipt of the **Policies and Procedures Handbook for the Supplemental Environmental Project and KUB Funding Assistance Program.**

In witness to this agreement, the above named parties, their authorized representatives, do hereby set their hands on this the day and date set out above.

**Knoxville-Knox County  
Community Action Committee**

**Knoxville Utilities Board**

By: Barbara Kelly  
Barbara Kelly, Executive Director

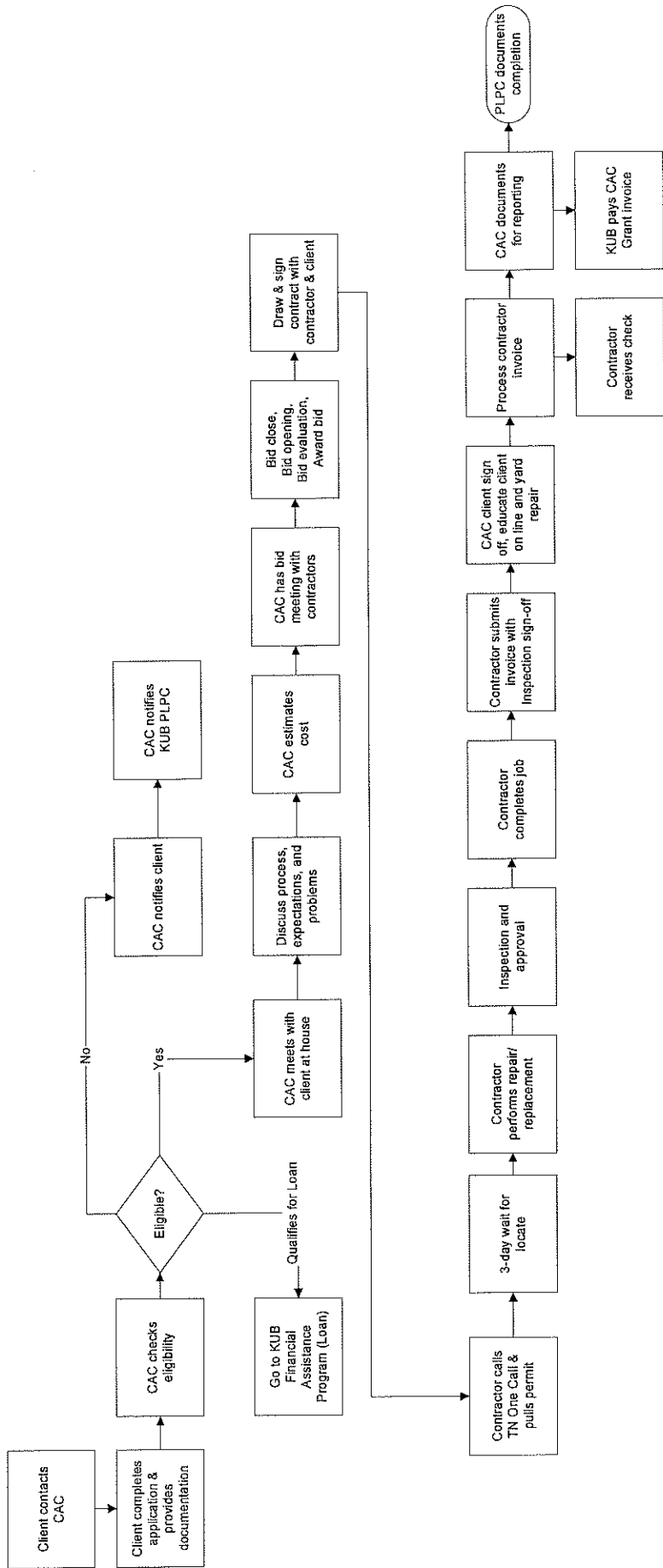
By: Bill R. Elmore  
Bill R. Elmore, Senior Vice President and  
Chief Operating Officer



**Appendix C**

**CAC Process Supplemental Environmental Program (Grant) Flow Chart**

# CAC Process Supplemental Environmental Program (Grant) Flow Chart



**Appendix D**

**Grant and Loan Program Income Guidelines**

GRANT AND LOAN PROGRAM  
INCOME GUIDELINES

<b>Family Size</b>	<b>Required Grant Program 50 % Annual Income</b>	<b>Voluntary Loan Program 60 % Annual Income</b>
1	18,450	22,140
2	21,100	25,320
3	23,750	28,500
4	26,400	31,680
5	28,500	34,200
6	30,600	36,720
7	32,700	39,240
8	34,800	41,760