



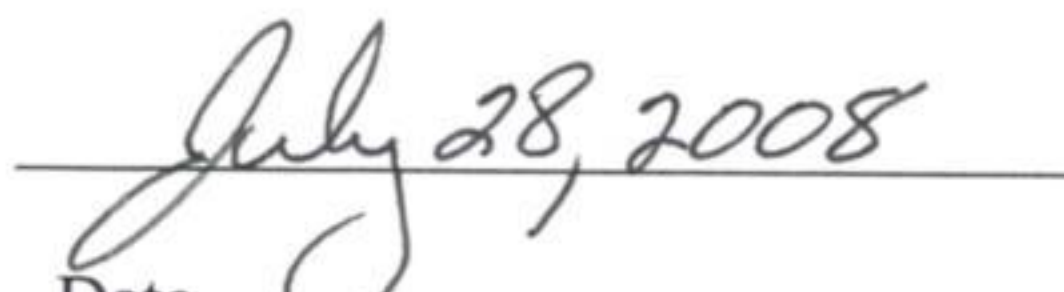
## **Supplemental Environmental Project Semi-Annual Report Volume 7**

**Seventh Semi-Annual Report  
January 1, 2008 – June 30, 2008**

**Submitted to EPA on July 28, 2008**

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

0003331



## **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 and Ongoing Tasks**
- 8. Tasks Scheduled for the Next Six Months**

### **Appendix A**

#### **Escrow Deposit Documentation**



**Supplemental Environmental Project  
Seventh Semi-Annual Report  
January 1, 2008, through June 30, 2008**

**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 from January 1, 2008, through June 30, 2008.

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

Two customers were approved for the no-interest loan during this reporting period. Work was completed for one property during the reporting period. Payment was dispersed for two properties, one of which was completed in the last reporting period. The total amount dispersed for loans during this reporting period was \$3,525.00.

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

A deposit of \$250,000.00 was made to the Escrow Account on February 11, 2008. The next deposit to the Escrow Account is scheduled for August 11, 2008.

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

A total of \$135,162.25 was disbursed from the SEP Escrow Account to the Third Party Administrator during this reporting period. The disbursements are shown in the table below.

<b>Date of Invoice</b>	<b>Amount Invoiced</b>	<b>Number of Laterals Repaired/Replaced</b>	<b>Amount Disbursed</b>
2/1/2008	30,704.00	18	30,704.00
3/6/2008	7,824.00	4	7,824.00
4/4/2008	26,492.25	15	26,492.25
5/7/2008	20,861.00	11	20,861.00



6/5/2008	49,281.00	26	49,281.00
<b>Totals</b>	<b>135,162.25</b>	<b>74</b>	<b>135,162.25</b>

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

The balance in the SEP Escrow Account, as of June 30, 2008, is \$673,647.31. The disbursements from the escrow account and the accrued interest for this reporting period are shown in the table below.

Date	Deposit	Disbursement	Accrued Interest	Balance
1/1/2008		8,555.00	1,948.94	551,049.95
2/1/2008	250,000.00	30,704.00	1,824.43	772,170.38
3/1/2008		7,824.00	1,701.35	766,047.73
4/1/2008		26,492.25	1,696.78	741,252.26
5/1/2008		20,861.00	1,326.87	721,718.13
6/1/2008		49,281.00	1,210.18	673,647.31

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

In this reporting period, the Third Party Administrator made the following payments to plumbers for services completed at the properties listed below.

Property Address	Plumber	Amount
[REDACTED]	Lyon Plumbing	1,620.00
[REDACTED]	Lyon Plumbing	1,450.00
[REDACTED]	Lyon Plumbing	2,150.00
[REDACTED]	Lyon Plumbing	1,975.00
[REDACTED]	Lyon Plumbing	2,190.00
[REDACTED]	Lyon Plumbing	1,445.00
[REDACTED]	Lyon Plumbing	1,300.00
[REDACTED]	Lyon Plumbing	1,995.00
[REDACTED]	Lyon Plumbing	2,350.00
[REDACTED]	Lyon Plumbing	1,290.00
[REDACTED]	Lyon Plumbing	1,950.00
[REDACTED]	Lyon Plumbing	1,240.00
[REDACTED]	Lyon Plumbing	1,360.00
[REDACTED]	Lyon Plumbing	1,850.00
[REDACTED]	Lyon Plumbing	1,749.00
[REDACTED]	Lyon Plumbing	1,815.00
[REDACTED]	Lyon Plumbing	1,600.00
[REDACTED]	Lyon Plumbing	1,375.00
[REDACTED]	Lyon Plumbing	1,628.00
[REDACTED]	Lyon Plumbing	1,661.00
[REDACTED]	Lyon Plumbing	1,975.00
[REDACTED]	Lyon Plumbing	2,560.00
[REDACTED]	Lyon Plumbing	700.00



	Lyon Plumbing	616.00
	Lyon Plumbing	1,495.00
	Lyon Plumbing	1,570.00
	Lyon Plumbing	2,225.25
	Lyon Plumbing	1,635.00
	Lyon Plumbing	1,950.00
	Lyon Plumbing	1,551.00
	Lyon Plumbing	1,580.00
	Lyon Plumbing	1,930.00
	Lyon Plumbing	2,500.00
	Lyon Plumbing	1,685.00
	Lyon Plumbing	2,480.00
	Lyon Plumbing	1,875.00
	Lyon Plumbing	2,700.00
	Lyon Plumbing	2,156.00
	Lyon Plumbing	1,603.00
	Lyon Plumbing	3,451.00
	Lyon Plumbing	1,717.00
	Lyon Plumbing	2,112.00
	ET Rooter & Plumbing	935.00
	Lyon Plumbing	1,616.00
	Lyon Plumbing	1,120.00
	ET Rooter & Plumbing	1,292.00
	Lyon Plumbing	2,510.00
	Lyon Plumbing	2,349.00
	East TN Rooter & Plumbing	1,820.00
	Lyon Plumbing	1,425.00
	Southeastern Plumbing	2,147.00
	Southeastern Plumbing	1,580.00
	Southeastern Plumbing	2,365.00
	Lyon Plumbing	1,700.00
	Lyon Plumbing	1,760.00
	Lyon Plumbing	2,496.00
	Southeastern Plumbing	1,498.00
	Lyon Plumbing	1,617.00
	Southeastern Plumbing	1,694.00
	Lyon Plumbing	4,400.00
	East TN Rooter & Plumbing	2,369.00
	Lyon Plumbing	1,788.00
	Southeastern Plumbing	1,648.00
	East TN Rooter & Plumbing	1,283.00
	Southeastern Plumbing	1,590.00
	Kelly Plumbing	1,528.00
	Lyon Plumbing	1,634.00
	Lyon Plumbing	1,620.00



	Lyon Plumbing	1,419.00
	Lyon Plumbing	1,766.00
	East TN Rooter & Plumbing	1,446.00
	East TN Rooter & Plumbing	2,046.00
	Lyon Plumbing	2,382.00
	Lyon Plumbing	2,260.00

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

Private service laterals have been repaired or replaced under the SEP program at the following locations during this reporting period.

Homeowner Name	Property Address	Work Completed Date
		1/3/2008
		1/3/2008
		1/8/2008
		1/9/2008
		1/11/2008
		1/14/2008
		1/16/2008
		1/16/2008
		1/18/2008
		1/23/2008
		1/24/2008
		1/28/2008
		2/7/2008
		2/8/2008
		2/12/2008
		2/13/2008
		2/14/2008
		2/14/2008
		2/18/2008
		2/18/2008
		2/19/2008
		2/20/2008
		2/26/2008
		2/28/2008
		3/4/2008
		3/12/2008
		3/13/2008
		3/13/2008
		3/17/2008

0003336



[REDACTED]	[REDACTED]	3/17/2008
[REDACTED]	[REDACTED]	3/19/2008
[REDACTED]	[REDACTED]	3/19/2008
[REDACTED]	[REDACTED]	3/25/2008
[REDACTED]	[REDACTED]	3/25/2008
[REDACTED]	[REDACTED]	3/27/2008
[REDACTED]	[REDACTED]	3/27/2008
[REDACTED]	[REDACTED]	3/31/2008
[REDACTED]	[REDACTED]	4/1/2008
[REDACTED]	[REDACTED]	4/7/2008
[REDACTED]	[REDACTED]	4/8/2008
[REDACTED]	[REDACTED]	4/11/2008
[REDACTED]	[REDACTED]	4/16/2008
[REDACTED]	[REDACTED]	4/16/2008
[REDACTED]	[REDACTED]	4/17/2008
[REDACTED]	[REDACTED]	4/21/2008
[REDACTED]	[REDACTED]	4/21/2008
[REDACTED]	[REDACTED]	4/22/2008
[REDACTED]	[REDACTED]	4/22/2008
[REDACTED]	[REDACTED]	4/23/2008
[REDACTED]	[REDACTED]	4/23/2008
[REDACTED]	[REDACTED]	4/24/2008
[REDACTED]	[REDACTED]	4/24/2008
[REDACTED]	[REDACTED]	4/25/2008
[REDACTED]	[REDACTED]	4/29/2008
[REDACTED]	[REDACTED]	5/2/2008
[REDACTED]	[REDACTED]	5/2/2008
[REDACTED]	[REDACTED]	5/5/2008
[REDACTED]	[REDACTED]	5/6/2008
[REDACTED]	[REDACTED]	5/7/2008
[REDACTED]	[REDACTED]	5/8/2008
[REDACTED]	[REDACTED]	5/9/2008
[REDACTED]	[REDACTED]	5/12/2008
[REDACTED]	[REDACTED]	5/13/2008
[REDACTED]	[REDACTED]	5/13/2008
[REDACTED]	[REDACTED]	5/13/2008
[REDACTED]	[REDACTED]	5/13/2008
[REDACTED]	[REDACTED]	5/14/2008
[REDACTED]	[REDACTED]	5/16/2008
[REDACTED]	[REDACTED]	5/16/2008
[REDACTED]	[REDACTED]	5/20/2008
[REDACTED]	[REDACTED]	5/20/2008
[REDACTED]	[REDACTED]	5/22/2008
[REDACTED]	[REDACTED]	5/22/2008
[REDACTED]	[REDACTED]	5/22/2008



[REDACTED]	[REDACTED]	5/22/2008
[REDACTED]	[REDACTED]	5/23/2008
[REDACTED]	[REDACTED]	5/28/2008
[REDACTED]	[REDACTED]	5/30/2008
[REDACTED]	[REDACTED]	6/2/2008
[REDACTED]	[REDACTED]	6/3/2008
[REDACTED]	[REDACTED]	6/3/2008
[REDACTED]	[REDACTED]	6/4/2008
[REDACTED]	[REDACTED]	6/5/2008
[REDACTED]	[REDACTED]	6/5/2008
[REDACTED]	[REDACTED]	6/5/2008
[REDACTED]	[REDACTED]	6/6/2008
[REDACTED]	[REDACTED]	6/6/2008
[REDACTED]	[REDACTED]	6/9/2008
[REDACTED]	[REDACTED]	6/9/2008
[REDACTED]	[REDACTED]	6/9/2008
[REDACTED]	[REDACTED]	6/9/2008
[REDACTED]	[REDACTED]	6/10/2008
[REDACTED]	[REDACTED]	6/10/2008
[REDACTED]	[REDACTED]	6/13/2008
[REDACTED]	[REDACTED]	6/13/2008
[REDACTED]	[REDACTED]	6/17/2008
[REDACTED]	[REDACTED]	6/17/2008
[REDACTED]	[REDACTED]	6/17/2008
[REDACTED]	[REDACTED]	6/19/2008
[REDACTED]	[REDACTED]	6/19/2008
[REDACTED]	[REDACTED]	6/25/2008

## 7. SEP Implementation and Ongoing Tasks

All implementation tasks for the SEP have been completed.

KUB continues to identify and document defective laterals. Customers are notified and enforcement actions are initiated through the Private Lateral Program. Water service was terminated at seven properties during this reporting period where property owners failed to make repairs to their private sewer lateral within the required 120 day time period. One appeal was filed during the reporting period and is currently progressing through the established appeals process.

A Private Lateral Program brochure along with a financial assistance insert is included with each Notice of Noncompliance (NONC), Notice of Violation, and Termination of Service (NOV) mailed to the customer. The brochure and insert inform the customer that financial assistance may be available to them through the Third Party Administrator and both provide contact information.



Seven community and neighborhood homeowners' association meetings were conducted during the reporting period to provide information to customers regarding the Private Lateral Program in areas where ongoing sewer rehabilitation is underway. Information regarding the availability of financial assistance for income qualified owner occupied properties was also presented.

#### **Effect of Income Qualification Limits:**

Beginning January 1, 2008, KUB increased the income guidelines for Grant program qualification from 50 percent of median income (very low-income) to 80 percent of median income (low-income). The 80 percent level is defined as low-income by the US Department of Housing and Urban Development (HUD). The increase follows research of homeowner incomes in the Knox County area based on 2000 Census data obtained from the Knoxville/Knox County Metropolitan Planning Commission. The expected result was to provide support for a greater number of customers that need assistance during the remainder of the SEP.

Since January 1, 2008 a total of 36 property owners qualified for Grants due to the increase in the income guidelines. KUB continues to analyze information related to defect rates and income qualification as necessary to satisfactorily complete the SEP in accordance with the Consent Decree.

The income guidelines for the voluntary Loan program increased from 80 percent of median income to 95 percent of median income effective January 1, 2008. HUD defines the 95 percent level as moderate-income.

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

The following tasks are scheduled for the next six months:

- Continue to identify properties with defective laterals or prohibited connections.
- Continue private lateral enforcement notifications.
- Make payments from the Escrow account for work completed under the SEP.
- Make sixth SEP funding deposit to the Escrow Account.



## **Appendix A**

Escrow Deposit Documentation





Knoxville Utilities Board

February 20, 2008

**VIA CERTIFIED MAIL**

Mr. Doug Mundrick  
Chief, Water Programs Enforcement Branch  
Water Management Division  
U.S. Environmental Protection Agency, Region 4  
Atlanta Federal Center  
61 Forsyth Street, SW  
Atlanta, GA 30303

Re: Payment of \$250,000 Supplemental Environmental Project (SEP) payment: U.S. et al. v. Knoxville Utilities Board (KUB): Case Nos. 3:04-CV-568 and 3:03-CV-497; DOJ Case No. 90-5-1-1-08186

Dear Mr. Mundrick:

On February 11, 2008, KUB paid the fifth SEP payment in the amount of \$250,000 to the SEP escrow account identified in the executed Escrow Agreement, as required by Appendix B.D.1 of the Consent Decree (CD). KUB is required to make this fifth payment no later than thirty-six (36) months after the Date of Entry of the CD, which was entered in the United States District Court for the Eastern District of Tennessee, Northern Division, Knoxville, Tennessee, on February 11, 2005.

Appendix B.D.1. also requires KUB to provide documentation of the deposit to the SEP Escrow within thirty (30) days of each such deposit. A transaction report and wire confirmation of the transfer is enclosed as proof of payment.

If you have any questions, please call Mark Walker, Vice President of Finance, at (865) 594-7418.

Sincerely,

Bill R. Elmore  
Senior Vice President and Chief Operating Officer



Mr. Mundrick  
Page 2  
February 20, 2008

cc: Chief, Environmental Enforcement Section, Environment and Natural Resources  
Division, DOJ  
E. Joseph Sanders, General Counsel, TDEC  
Renee Victoria Hoyos, Executive Director, TCWN  
Bill Haslam, Mayor, City of Knoxville  
Hiram G. Tipton, Hodges, Doughty & Carson, PLLC  
Phil Simmons, TDEC  
Susan H. Richardson, Kilpatrick Stockton, LLP  
John West, TDEC  
Wayne Loveday, Vice President, Plants and Underground Construction, KUB

Enclosures





User Activity Inquiry Results

> Search criteria

User Name --  
 Date Range From 02/11/2008 To 02/11/2008  
 (MM/DD/YYYY)  
 Amount Range From 0.00 To 0.00  
 Account Activity Release  
 Debit/Credit All

Payment Sequence Number	User ID	Activity	Amount	Debit Credit	Account	Beneficiary Or Sender Name	Entry Time	Release Time	Template	Payment Status
	CREED	Release	250,000.00	Debit	DD	KUB SEP ESCROW ACCOUNT	02/11/2008 09:41	02/11/2008 09:48		ACKS





First Horizon National Corporation

REPORT DATE: 02/11/08 10:10:24 WIRE TRANSFER ADVISE NOTIFICATION

PAGE 1

ACCOUNT : KNOXVILLE UTILITIES BOARD

1 : 080211011144 DEBIT REPEAT: STATUS : COMPLETED  
AMOUNT : \$ 250,000.00 COMPLETION TIME : 2008-02-11:0949  
AUTHORIZER : GRAYSON PURSCH CONFIRMER :  
WIRE TYPE : FEDWIRE REFERENCE #:  
DEBIT ACCOUNT KNOXVILLE UTILITIES BOARD  
ORDERING BANK :  
ORDERING CUST :  
BENE CUSTOMER : KUB SEP ESCROW ACCOUNT  
SENDING BANK :  
RECEIVING BANK :  
DEST BANK : I AMSOUTH  
OBI :  
BBI :

0003344