



**Supplemental Environmental Project
Semi-Annual Report
Volume 4**

**Fourth Semi-Annual Report
July 1, 2006 – December 31, 2006**

Submitted to EPA on January 25, 2007

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.

A handwritten signature in black ink that reads 'D. Wayne Loveday'.

D. Wayne Loveday

A handwritten date '1.25.07' in black ink.

Date

0002217

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**Supplemental Environmental Project
Fourth Semi-Annual Report
July 1, 2006, through December 31, 2006**

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 July 1, 2006, through December 31, 2006.

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 between 50 and 60 percent of median income. The cost of the lateral repair or replacement will be added to the customers' KUB bill over a period of 48 months.

Seven customers were approved for the no-interest loan during this reporting period. Work was completed for five properties at a total cost of \$19,855.70.

2. Deposit of Funds to the SEP Escrow by KUB

KUB made the third deposit of \$200,000 to the Escrow Account on August 11, 2006. A copy of the deposit documentation for that payment was submitted to EPA on August 31, 2006, and is in Appendix A. The next deposit to the Escrow Account is scheduled for February 11, 2007.

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 \$88,271.59 was disbursed from the SEP Escrow Account to the Third Party Administrator during this reporting period. The disbursements are shown in the table below.

Date of Invoice	Amount Invoiced	Number of Laterals Repaired/Replaced	Amount Disbursed
07/03/2006	15,756.00	10	15,756.00
08/09/2006	2,560.00	2	2,560.00
09/06/2006	17,151.02	13	17,151.02
10/09/2006	15,700.00	11	15,700.00
11/09/2006	25,020.94	13	25,020.94
12/08/2006	12,083.63	8	12,083.63
Totals	\$88,271.59	58	\$88,271.59

4. Balance of Funds in the SEP Escrow

The balance in the SEP Escrow Account, as of December 31, 2006, is \$399,286.70. 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
07/01/2006		15,756.00	1,010.61	263,992.42
08/01/2006	200,000.00	2,560.00	1,046.54	462,478.96
09/01/2006		17,151.02	1,595.80	446,923.74
10/01/2006		15,700.00	1,775.28	432,999.02
11/01/2006		25,020.94	1,760.42	409,738.50
12/01/2006		12083.63	1631.83	399,286.70

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]	Wires Underground Construction	1,830.00
[REDACTED]	Lyons Plumbing	1,075.00
[REDACTED]	Lyons Plumbing	1,485.00
[REDACTED]	Lyons Plumbing	1,220.00
[REDACTED]	Lyons Plumbing	1,040.00
[REDACTED]	Lyons Plumbing	945.00
[REDACTED]	Lyons Plumbing	1,385.00
[REDACTED]	Lyons Plumbing	1,045.00
[REDACTED]	Lyons Plumbing	943.00
[REDACTED]	Lyons Plumbing	1,050.00
[REDACTED]	Wires Underground Construction	1,762.50
[REDACTED]	Lyons Plumbing	1,785.00
[REDACTED]	Wires Underground Construction	1,437.52
[REDACTED]	Lyons Plumbing	1,085.00
[REDACTED]	Lyons Plumbing	1,623.00
[REDACTED]	Lyons Plumbing	1,450.00
[REDACTED]	Lyons Plumbing	1,800.00
[REDACTED]	Lyons Plumbing	1,185.00
[REDACTED]	Lyons Plumbing	1,475.00
[REDACTED]	Lyons Plumbing	960.00
[REDACTED]	Lyons Plumbing	1,025.00
[REDACTED]	Wires Underground Construction	2,415.00
[REDACTED]	Lyons Plumbing	325.00
[REDACTED]	Lyons Plumbing	1,825.00
[REDACTED]	Wires Underground Construction	2,365.00
[REDACTED]	Wires Underground Construction	875.00
[REDACTED]	Lyons Plumbing	1,350.00
[REDACTED]	Lyons Plumbing	3,850.00

	Lyons Plumbing	1,750.00
	Wires Underground Construction	1,483.00
	Wires Underground Construction	2,375.00
	Lyons Plumbing	4,025.00
	Lyons Plumbing	2,000.00
	Lyons Plumbing	1,074.99
	Pipewrench	2,400.00
	East Tennessee Mechanical	929.10
	East Tennessee Mechanical	1,633.86
	Lyons Plumbing	1,074.99
	Lyons Plumbing	1,075.00
	Lyons Plumbing	1,275.00
	Wires Underground Construction	1,397.69
	Lyons Plumbing	999.99
	Lyons Plumbing	2,109.99
	Wires Underground Construction	1,012.97
	Pipewrench	2,493.00
	Lyons Plumbing	1,375.00
	Lyons Plumbing	1,419.99
	Lyons Plumbing	2,389.99

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
		07/17/06
		07/17/06
		07/17/06
		07/17/06
		07/25/06
		07/25/06
		07/25/06
		07/26/06
		07/26/06
		07/26/06
		07/27/06
		07/27/06
		07/27/06
		07/28/06
		07/28/06
		08/15/06
		08/21/06

[REDACTED]	[REDACTED]	08/21/06
[REDACTED]	[REDACTED]	09/01/06
[REDACTED]	[REDACTED]	09/12/06
[REDACTED]	[REDACTED]	09/22/06
[REDACTED]	[REDACTED]	09/26/06
[REDACTED]	[REDACTED]	09/27/06
[REDACTED]	[REDACTED]	10/05/06
[REDACTED]	[REDACTED]	10/05/06
[REDACTED]	[REDACTED]	10/05/06
[REDACTED]	[REDACTED]	10/06/06
[REDACTED]	[REDACTED]	10/26/06
[REDACTED]	[REDACTED]	10/26/06
[REDACTED]	[REDACTED]	10/27/06
[REDACTED]	[REDACTED]	10/27/06
[REDACTED]	[REDACTED]	10/30/06
[REDACTED]	[REDACTED]	10/30/06
[REDACTED]	[REDACTED]	10/30/06
[REDACTED]	[REDACTED]	10/31/06
[REDACTED]	[REDACTED]	10/31/06
[REDACTED]	[REDACTED]	11/02/06
[REDACTED]	[REDACTED]	12/12/06
[REDACTED]	[REDACTED]	12/13/06
[REDACTED]	[REDACTED]	12/13/06
[REDACTED]	[REDACTED]	12/14/06

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 eight properties, during this reporting period, for failure to make repairs to their private sewer lateral within the required 120 day time period.

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

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 fourth SEP funding deposit to the Escrow Account.

Appendix A

Escrow Deposit Documentation



Knoxville Utilities Board

August 31, 2006

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 \$200,000 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 August 11, 2006, KUB paid the third SEP payment in the amount of \$200,000 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 third payment no later than eighteen (18) 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. An account transaction statement and a copy of an e-mail requesting the funds be transferred to the escrow account are enclosed as proof of payment.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill R. Elmore', is written over a horizontal line.

Bill R. Elmore
Senior Vice President and Chief Operating Officer

Mr. Mundrick
Page 2
August 31, 2006

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

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AMSOUTH BANK
Settled Transactions Report Dtl

Run on 8/28/2006 2:29:47 PM

RECEIVED FROM TRANSFER FROM
CHECKING #40 PER EMAIL RQST DTD
8/11/2006 STEVE ROACH

CASH RCVD
Ref: A/C* [REDACTED] SD* 08/11/2006 SQ* 1

Settlement Date	08/11/2006 Cusip	CASH
Trade/Effective Date	08/11/2006 Principal Cash	200,000.00
Tax Code	420-MISCELLANEOUS RECEIPTS - Funds Code NON-TAXABLE	0-GOOD FUNDS
Income Code	0-NO INCOME CODE	

Steve Roach/ACT/FIN/KUB

08/11/2006 11:24 AM

To Jamie Davis/ACT/FIN/KUB@KUB, Dale
Grubbs/CSD/FIN/KUB@KUB, Patricia R
Green/ODD/CSV/KUB@KUB

cc

bcc

Subject Fw: SEP Money transfer

----- Forwarded by Steve Roach/ACT/FIN/KUB on 08/11/2006 11:22 AM -----



Heidi.Petitt@AMSOUTH.CO

M

08/11/2006 11:01 AM

To "Steve Roach" <SRoach@kub.org>

cc "Grayson Bryant" <GCBryant@kub.org>,
mark.cavender@amsouth.com

Subject Re: SEP Money transfer

Steve - this transfer has been processed.

Thanks,

Heidi Petitt
Client Service Administrator
AmSouth Bank, Institutional Products and Services
Phone: (615) 770-4625
Fax: (615) 748-2359
Email: heidi.petitt@amsouth.com
Mail Code: NA-0404

"Steve Roach"
<SRoach@kub.org>

08/11/2006 08:12
AM

mark.cavender@amsouth.com

To

cc

heidi.petitt@amsouth.com, "Grayson
Bryant" <GCBryant@kub.org>

Subject

SEP Money transfer

0002228

Please transfer \$200,000.00 from our AmSouth DDA account # 0000000040 to our escrow account # [REDACTED] today. Please notify me by return email or phone when this has been done.

Thank you for your assistance.

Steve Roach
Cash Manager
Knoxville Utilities Board
865-594-7225

0002229