

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC

ATTORNEYS AT LAW

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March 26, 2007

Chairman Sara Kyle
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

VIA ELECTRONIC DELIVERY

**Re: Data Responses for Integrated Resources Management, Inc. in
Docket No. 07-00061—Reserve/Escrow Requirement Pursuant to
Tenn. Comp. R. & Regs. 1220-4-12-.07(8).**

Dear Chairman Kyle:

Please find the Data Responses for Integrated Resource Management, Inc. in the referenced docket enclosed herewith.

Thank you for your assistance regarding this matter. If we can be of further assistance, please do not hesitate to contact us.

Very truly yours,

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC



Jamie R. Hollin

Enclosures

- 1. Provide a narrative that includes the age of major plant assets (by account number) at December 31, 2006, depreciation rates on those assets, and plant replacements or major repairs made during the last five (5) years.**

Company Response

All of the plant assets utilized by the Company in providing wastewater service were either transferred to IRM at December 31, 2006 or were in the process of being transferred from different developers. All of the plant assets are less than five (5) years old, and none have required any major repairs or replacement. At this time, the only plant assets that have been transferred to IRM include Emory Point, Compass Point and Sterling Springs.

Because the first plant assets were transferred to the Company on December 31, 2006, no depreciation was recorded for 2006. Beginning in 2007, the Company will utilize depreciation rates of 2.00% for account 360 - collection sewers and 3.85% for account 380-treatment disposal equipment. These depreciation rates were approved in the Company's CCN.

2. Provide the following information that would be considered currently pending:

- a. Lawsuits or any known financial exposure;**
- b. Notices of Noncompliance from any source;**
- c. Notices of Violation from any source;**
- d. Orders or Moratoriums from any source; and/or**
- e. Any other compliance issues related to wastewater service.**

Company Response

The Company has received three (3) Notices of Violations (NOV) from the Tennessee Department of Environment & Conservation (TDEC) that are currently pending. These violations cover Cove Mountain Realty (SOP #02-012), Lost Creek Campground (SOP #01-003), and Valley Mart Exxon (SOP #03-012). A copy of each NOV, as well as the Company's response is attached. In each case, these NOVs refer to instances of non-compliance by the prior permit holder. IRM is working with the previous permit holders to help them clear their NOVs.

The Company has no other pending issues against it as described above..



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
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STATEWIDE 1-888-891-8332

FAX (865) 594-6105

February 7, 2007

Certified Mail 7005 3110 0003 5604 0942

Mr. Jeffrey W. Cox, Sr.
Integrated Resource Management, Inc.
P.O. Box 642
3444 Saint Andrews Drive
White Pine, Tennessee 37890

**RE: Notice of Violation
Cove Mountain Realty
State Operating Permit 02-012
Sevier County**

Dear Mr. Cox:

The Division of Water Pollution Control has reviewed Cove Mountain Realty's quarterly operation reports for the calendar year 2006. The following parameters were in violation of established permit limits:

(Fecal Coliform daily max; Permit Limit 1000/100ml, Reported March 23, 2006 - Too Numerous to Count, and June 28, 2006-2400/100ml)

This is a violation of the State Operating Permit, which in turn is a violation of Section 69-3-114 of the Tennessee Water Quality Control Act. This letter will serve as a **Notice of Violation** for the above-mentioned violations. It is requested that the permittee provide to this office written correspondence within 30 days documenting what actions have been taken or plan to be taken to resolve this violation.

If you have any questions concerning this correspondence or if we may be of any further assistance to you in any way, please feel free to contact me by phone at (865) 594-5589 or by email at Michael.Atchley@state.tn.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Atchley", is written over the printed name.

Michael Atchley
Division of Water Pollution Control

cc: Enforcement & Compliance Section, Nashville, WPC
Files (SOP-02012, Cove Mountain Realty, Sevier County)



Integrated Resource Management, Inc.
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Toll Free (877) 746-2910

Michael Atchley
Division of Water Pollution Control
State of Tennessee
Knoxville Environmental Field Office
3711 Middlebrook Pike
Knoxville, Tennessee 37921-6538

February 27, 2007

RE: Cove Mountain Realty - State Operating Permit 02-012
Sevier County

Dear Mr. Atchley,

I am writing in response to your letter dated February 7, 2007, requesting what action is to be taken to resolve the violation of Section 69-3-114 of the Tennessee Water Quality Control Act.

This Permit has been in the name of Cove Mountain Real Estate. The plans that were approved had no disinfection indicated. There is no disinfection process on this system. The old permit required a fence around the area. Typically there is no Total Coliform, fecal coliform, or e-coli testing on systems that we have managed that have no disinfection process. We are in the process of renewing the application and placing it in our name. I have requested in the application that we are able to utilize an attractive split rail fence around the area to limit access. Also, I wish to request that this parameter of testing not be included in the new permit since there is no disinfection process on the system. I have not gotten any feedback from permit section in Nashville as of today. I put in a call to Ed Polk to discuss this. As soon as I hear that fencing is an acceptable option, the owners of the Cove Mountain Real Estate will have the fencing up within 30 days.

Respectfully submitted,

Jeffrey W. Cox, Sr.
Biological/Natural Systems Operator/President



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February 7, 2007

Certified Mail 7005 1820 0005 8540 4160

Jeffrey W. Cox, Sr.
Integrated Resource Management, Inc.
P.O. Box 642
3444 Saint Andrews Drive
White Pine, Tennessee 37890

**RE: Notice of Violation
Lost Creek
State Operating Permit 01-003
Union County**

Dear Mr. Cox:

The Division of Water Pollution Control has reviewed Lost Creek's quarterly operation reports for the calendar year 2006. The following parameter was in violation of established permit limits:

**(Nitrogen- Nitrite daily max; Permit Limit 25mg/L, Reported January 4, 2007
35.5mg/L)**

This is a violation of the State Operating Permit, which in turn is a violation of Section 69-3-114 of the Tennessee Water Quality Control Act. This letter will serve as a **Notice of Violation** for the above-mentioned violations. It is requested that the permittee provide to this office written correspondence within 30 days documenting what actions have been taken or plan to be taken to resolve this violation.

If you have any questions concerning this correspondence or if we may be of any further assistance to you in any way, please feel free to contact me by phone at (865) 594-5589 or by email at Michael.Atchley@state.tn.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Atchley", is written over a horizontal line.

Michael Atchley
Division of Water Pollution Control

cc: Enforcement & Compliance Section, Nashville, WPC
Files (SOP-01-003, Lost Creek, Union County)



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February 28, 2007

Michael Atchley
Division of Water Pollution Control
State of Tennessee
Knoxville Environmental Field Office
3711 Middlebrook Pike
Knoxville, Tennessee 37921-6538

RE: Notice of Violation
Lost Creek
State Operating Permit 01-003
Union County

Dear Mr. Atchley,

I am writing in response to your letter dated February 7, 2007 requesting what action is to be taken to resolve the violation of Section 69-3-114 of the Tennessee Water Quality Control Act.

History: The initial permit was issued to the initial owner of the campground. The new owners of the campground have requested Integrated Resource Management, Inc. to operate the system. In our agreement with the new owners, the new owners are to upgrade any maintenance issues. We are helping them do this. We have had Dennis Weeter to look at the system and make recommendations. From these recommendations and site observations we have been going through component to component to evaluate the system. We would really appreciate your help. There is absolutely no data available from the new owners with regard to the system. If you could send me the quarterly reports for the system we would be able to evaluate data and trends in the effluent quality.

Michael Atchley
TDEC – WPC – Knoxville EAC
Lost Creek Campground – Union County
February 28, 2007
Page 2

Corrections: We have had Scott Williams, PE to put together an as built plan that shows the physical locations of the components of the existing system. We have pulled three samples and this sample was the first that was high in $\text{NO}_3\text{-N}$. Since this evaluation the average water use is 478 gallons per day and the average since last June is 440 gallons per day. The capacity of the system is reported as 5000 gallons per day according to the permit and plans provided by the design engineer. Based on the loading allowed in Chapter 16 for The Slow Rate Land Treatment, according to Equation 16-5; the nitrate & ammonia totals have been placed in the calculations and the loadings imply 0.039 gallons per square foot per day could be applied. With the water use of 478 gallons per day applied in the 35,560 square foot area that is illustrated on the plans, this indicates that a rate of 0.0134 gallons per square foot per day has been loaded. This is approximately one-third of the loading rates that typically can be applied according to Equation 16-5. Attached is a copy of Equation 16-5 with these values illustrated.

We are in agreement that this needs to be monitored to see if this is a continuing problem in the treatment system. We will voluntarily run additional analysis monthly for the next five months to determine if this is an ongoing problem. It is not anticipated the average flows will grow faster than modifications can be made to the system.

We are open to suggestions that you may have. Please call if you have suggestions.

Respectfully submitted,

Jeffrey W. Cox, Sr.
Biological/Natural Systems Operator/President

Wastewater Application Rates Based on Nitrate Concentration

Lost Creek Campground Loading Example (Master)

$$\text{Nitrate Loading Rate} = \text{Lwn} = (\text{Cp})(\text{Pr} - \text{PET}) + \text{U} (4.424) / [(1-f)(\text{Cn}) - \text{Cp}] \text{ -- Eqn. 16-5}$$

Lwn =

Calculated Allowable Nitrate Loading Rate

Pr =

Table A-3 of Chapter 16 - 5-year return monthly precipitation (in/month)

PET =

Table A-2 of Chapter 16 - Potential Evapotranspiration (in/month)

N- Uptake

Table A-5 of Chapter 16 - Monthly Nitrogen Uptake Rate by Vegetation (lbs/acre/month)

f =

Applied Nitrogen Fraction Removed by Denitrification / Volatilization (%)

Cp = 10

Maximum Nitrate Concentration in Leachate (mg/L)

Cn = 67.6

Nitrogen Concentration in Applied Wastewater (mg/L)

From Analysis: No3-N & NH3-N

4.424

Conversion Factor

U = 100

Annual Nitrogen Uptake Rate for Crop, Variable (lbs/acre/yr)

MONTH	Pr in/mo	PET in/mo	N Uptake %/mo	N Uptake lb/ac/mo	f (Denitrif) %/mo	Lwn in/mo	Lwn in/wk	Lwn in/day	Lwn GPD/SF	Lwh GPD/SF
JAN	7.62	0.10	1%	1	25%	1.96	0.44	0.06	0.039	
FEB	6.72	0.27	2%	2	25%	1.80	0.45	0.06	0.040	
MAR	8.85	0.97	4%	4	27%	2.45	0.55	0.08	0.049	
APR	6.59	2.30	8%	8	29%	2.06	0.48	0.07	0.043	
MAY	6.13	3.59	12%	12	31%	2.14	0.48	0.07	0.043	
JUN	5.52	4.90	15%	15	33%	2.06	0.48	0.07	0.043	
JUL	6.85	5.44	17%	17	35%	2.63	0.59	0.08	0.053	
AUG	4.73	5.00	15%	15	35%	1.88	0.42	0.06	0.038	
SEP	5.54	3.79	12%	12	34%	2.04	0.48	0.07	0.042	
OCT	4.47	1.98	8%	8	32%	1.68	0.38	0.05	0.034	
NOV	6.11	0.82	4%	4	29%	1.86	0.43	0.06	0.039	
DEC	7.55	0.27	2%	2	26%	2.04	0.46	0.07	0.041	
TOTALS	76.68	29.43	100%	100		24.59				



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February 7, 2007

Certified Mail 7005 1820 0005 8540 4153

Mr. Jeffrey W. Cox, Sr.
Integrated Resource Management, Inc.
P.O. Box 642
3444 Saint Andrews Drive
White Pine, Tennessee 37890

**RE: Notice of Violation
Valley Mart Exxon
State Operating Permit 03-012
Sevier County**

Dear Mr. Cox:

The Division of Water Pollution Control has reviewed Valley Mart Exxon's quarterly operation reports for the calendar year 2006. The following parameters were in violation of established permit limits:

(Biochemical Oxygen Demand daily max; Permit Limit 45mg/L, Reported June 28, 2006-46.9mg/L, October 3, 2006-148mg/L, and January 1, 2007-85mg/L)

This is a violation of the State Operating Permit, which in turn is a violation of Section 69-3-114 of the Tennessee Water Quality Control Act. This letter will serve as a **Notice of Violation** for the above-mentioned violations. It is requested that the permittee provide to this office written correspondence within 30 days documenting what actions have been taken or plan to be taken to resolve this violation.

If you have any questions concerning this correspondence or if we may be of any further assistance to you in any way, please feel free to contact me by phone at (865) 594-5589 or by email at Michael.Atchley@state.tn.us.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael Atchley", is written over the typed name.

Michael Atchley
Division of Water Pollution Control

cc: Enforcement & Compliance Section, Nashville, WPC
Files (SOP-03012, Valley Mart Exxon, Sevier County)



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February 27, 2007

Michael Atchley
Division of Water Pollution Control
State of Tennessee
Knoxville Environmental Field Office
3711 Middlebrook Pike
Knoxville, Tennessee 37921-6538

RE: Valley Mart Exxon
State Operating Permit 03-012
Sevier County

Dear Mr. Atchley,

I am writing in response to your letter dated February 7, 2007 requesting what action is to be taken to resolve the violation of Section 69-3-114 of the Tennessee Water Quality Control Act.

History: The site was serviced by a subsurface sewage disposal system and the system was failing. The system was retrofitted to employ a fixed media treatment system. The engineer assumed that the as built plans on file with TDEC were accurate. There was a build-up of a material on the filter. Grease was suspect and hand cleaner was suspect. Additional treatment was added and review found that the size of the septic tank and recirculation tank were not as indicated on the as built plans. We have noticed that changing the media often helped the system due to the high strength wastewater and solids accumulation. The septic tank and recirculation tanks were inadvertently undersized considerably.

Michael Atchley
TDEC – WPC – Knoxville EAC
Valley Mary Exxon – Sevier County
February 27, 2007
Page 2

Correction: We are adding capacity to the treatment system. There is a 3,000 gallon Barger septic tank and a 1,500 gallon Atchley recirculation tank that were ordered last fall that have been poured and are ready for installation. The tanks were to be installed when the weather conditions allowed and during the slow season. The septic tank volume will be increased from 900 gallons to 3,000 gallons. The recirculation volume will be increased from 900 gallons to 3,300 gallons. We are increasing the size of the effluent filter in the septic tank from an 8 X 18" filter to a 12 X 36" filter. Also, the filter media in both tanks will be replaced. The effluent filter has been delivered and the filter media is on site.

It is expected that the larger septic tank will function more effectively. The larger recirculation tank will provide better treatment. With the low flows of the system being 30 to 50% of the capacity of the slow rate land treatment field, the effluent is being applied at a slower rate over a greater area which is favorable.

We are scheduled to install these two tanks and perform the upgrade the week of March 19, 2007.

Respectfully submitted,

Jeffrey W. Cox, Sr.
Biological/Natural Systems Operator/President

- 3. Does the Company currently maintain an escrow account to accumulate funds dedicated to plant replacement or non-routine operation and maintenance? If yes:**
- a. Provide funding source;**
 - b. Provide an Excel spreadsheet (by email to ronl.graham@state.tn.us or on CD) that details monthly deposits and withdrawals since inception through December 31,2006. For withdrawals, include a brief description of the purpose.**
 - c. Provide a copy of the legal document establishing this escrow account.**
 - d. Is the account separately recorded on the Company's financial statements?**
 - e. What is the account number and where on the Company's annual 12/31/06 report to the TRA is the account disclosed?**
 - f. For what purposes can funds from this account be used?**
 - g. Provide internal procedures for deposits and disbursements to this account?**
 - h. Who is (are) the person(s) responsible for carrying out these procedures?**
 - i. Who is the person that is authorized to approve disbursements?**
 - j. How were the escrow rates determined?**
 - k. Is an adjustment needed in the escrow rates? If so, why and how much?**

Company Response

The Company does maintain a reserve/escrow account to accumulate funds dedicated to plant replacement. Funding for the reserve/escrow is \$10.13 per bill, and was established in the rates set in the Company's CCN. At this time, a formal escrow account has not yet been created. Instead, a liability has been recorded on the Company's financial statements and reflected in the 2006 TRA annual report on page F4 in the amount of \$1,128.05 on account 235.10 – Escrowed Deposits. This amount represents the product of each bill rendered by the Company in 2006 when multiplied by the monthly reserve/escrow rate of \$10.13 per bill.

Funds from this reserve/escrow account can only be used for major repairs or replacement of existing utility property. To date, no funds have been withdrawn from this reserve account. At this time, Integrated Resource Management believes that it is too early to determine if an adjustment to its monthly escrow/reserve rates is necessary.

- 4. If the Company does not maintain an escrow account to fund plant replacement and non-routine operation and maintenance expenses, please explain and justify why an escrow is not necessary. Provide a copy of the latest bank statement showing the Company's cash reserves and a financial statement showing the financial viability of the Company.**

Company Response

Not applicable. The Company maintains an escrow/reserve account as described in Item 3.

- 5. Is Contribution in Aid of Construction (CIAC) amortized at the same rate that plant is depreciated? If no, explain and provide CIAC amortization rates by plant account.**

Company Response

Yes. The Company's depreciation rate is identical to its CIAC amortization rate.