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September 6, 2012

\* ALSO ADMITTED IN GA  
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\*\*\* ONLY ADMITTED IN OH

Ms. Sharla Dillon  
Docket Room Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

*Via Hand Delivery*

Re: Petition of Laurel Hills Condominiums Property Owners Association for a  
Certificate of Public Convenience and Necessity  
Docket No. 12-00030

Dear Sharla:

I have enclosed an original and five copies of the Pre-filed Testimony of Michael McClung in the above styled case along with this cover letter.

This Testimony and this cover letter are being filed electronically by electronic mail this same date. Please return the additional copy of the Testimony stamp filed to me.

Thank you for your assistance.

Sincerely yours,



DONALD L. SCHOLES

Enclosure

c: Shiva Bozarth  
John J. Baroni  
Melanie Davis  
Robert Schwerer  
Michael McClung

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

**In re: PETITION OF LAUREL HILLS CONDOMINIUMS PROPERTY OWNERS  
ASSOCIATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND  
NECESSITY**

**DOCKET NO. 12-00030**

**DIRECT TESTIMONY OF  
  
MICHAEL McCLUNG, PRESIDENT OF LAUREL HILLS**

Dated: September 6, 2012

1 Q. Please state your name for the record.

2 A. My name is Michael McClung.

3 Q. What is your position with Laurel Hills Condominiums Property Owners Association, Inc.

4 (POA)?

5 A. President.

6 Q. How long have you been President of the POA?

7 A. Since May 1, 2011.

8 Q. What kind of organization is Laurel Hills Condominiums Property Owners Association, Inc.?

9 A. The POA is a Tennessee nonprofit corporation which provides management and maintenance

10 services for the Laurel Hills Timeshare units located on Renegade Mountain in Crossville,

11 Tennessee. On May 1, 2011, the POA acquired what is known as the Renegade Mountain water

12 system and has operated this small water system since that date.

13 Q. Does the POA have members?

14 A. Yes.

15 Q. Who are the members of the POA?

16 A. The members of the POA are the owners of the timeshare units which are weekly units.

17 Q. Who is on the POA's Board of Directors?

18 A. Phillip Guettler, Darren and myself.

19 Q. Are you an employee of the POA?

20 A. No.

21 Q. Does the POA have any employees?

22 A. No.

1 Q. Where do you reside?

2 A. Port St. Lucie, Florida

3 Q. When did the POA acquire the Renegade Mountain water system?

4 A. The POA purchased the water system from Moy Toy, LLC on May 1, 2011. The POA  
5 acquired the water lines, water tank, pumps and all other water system infrastructure and the real  
6 property upon which the water tank is located.

7 Q. When did Moy Toy, LLC acquire the water system?

8 A. Moy Toy, LLC acquired Renegade Mountain water system when it purchased the Renegade  
9 Mountain development on December 28, 2010?

10 Q. What is your connection to Moy Toy, LLC?

11 A. I am a managing member.

12 Q. Why did the POA acquire the water system?

13 A. When Moy Toy, LLC purchased the Renegade Mountain development, it was uncertain about  
14 the history and condition of the water system. Moy Toy, LLC was aware that the water system had  
15 been neglected for several years and that the Tennessee Department of Environment and  
16 Conservation (TDEC) had enforcement proceedings against the water system. Therefore, Moy Toy,  
17 LLC took no steps to actively operate the water system for several months. To assure the timeshare  
18 unit owners that they would continue to have water service, the POA purchased the water system.  
19 The purchase price of the system was \$400,000.00.

20 Q. Did the POA acquire any easements from Moy Toy, LLC for the operation of the water  
21 system?

1 A. No. The water lines, pump station and other water system infrastructure, other than the water  
2 tank, were not located within any utility easements. None of the water system infrastructure is  
3 located in public rights-of-way. All of the water lines, pumps and other water infrastructure, other  
4 than the water tank, are located on real property was owned by Moy Toy, LLC. In order to have  
5 access to the water system to operate the system, Moy Toy, LLC granted the POA a revocable license  
6 to use its property to operate the water system.

7 Q. Does the POA compensate Moy Toy, LLC for the use of its land for access to operate the  
8 water system?

9 A. No; however, Moy Toy, LLC has taken a security interest in the water system to secure the  
10 payment of the promissory note to Moy Toy, LLC for the purchase price of the water system.

11 Q. At the time the POA acquired the water system, what rates were being charged?

12 A. The rates for water service which were being charged at the time the POA acquired the water  
13 system was a flat rate of \$25.00 a month for each residential unit served by the water system, except  
14 for the rate charged to the Cumberland Point Condominium Association whose rate was \$20.00 per  
15 residential unit in the Cumberland Point condominium complex. I understand that these flat  
16 monthly rates had been in effect for several years.

17 Q. What records on the water system did the POA receive upon the acquisition of the water  
18 system?

19 A. Practically none. I was informed that most of the books and records on the water system  
20 were taken to California by a prior operator of the water system, Joseph Wucher. The only records  
21 the POA received on the water system were billing records for November and December of 2011.

1 Q. What was the condition of the Renegade Mountain water system when the POA acquired it  
2 on May 1, 2011?

3 A. The water system had been neglected by the prior owners of the system. When Laurel  
4 Hills acquired the water system, the water system was out of compliance with several rules and  
5 regulations of the Tennessee Department of Environment and Conservation (TDEC) due to the  
6 failure of the prior owners to properly maintain and upgrade the water system. At that time  
7 TDEC had a pending case filed in the Davidson County Chancery Court seeking to enforce an  
8 order of the TDEC Commissioner issued in 2008 against the water system and the prior operator  
9 of the system to correct deficiencies in the water system.

10 Q. What actions has the POA taken to try and bring the Renegade Mountain water system  
11 into compliance with TDEC's rules and regulations for public water systems?

12 A. I began to communicate and work with Johnny Walker who is with the TDEC Cookeville  
13 Regional Office about how best to address the poor condition of the water system. After several  
14 telephone conversations and meetings with Mr. Walker and with Sherwin Smith, Environmental  
15 Program Manager in the TDEC in Nashville Office, a plan of action was agreed upon to address  
16 the items set forth in the TDEC Commissioner's 2008 Order and to bring the water system into  
17 substantial compliance with its regulations for public water systems.

18 Q. Please describe the work which the POA did pursuant to that plan of action?

19 A. The POA has done the following work in connection with the water system as requested  
20 by TDEC:

- 21 1) The POA hired an engineer, Darrell McQueen, to prepare a map of the  
22 water system to the specifications requested by TDEC.

1                   2)     The POA contracted with Walter A. Wood Supply install a new  
2                   variable speed pump and to modify its water pump station as needed to  
3                   accommodate the new pump.

4                   3)     The POA conducted many pressure tests on the water system and  
5                   implemented a flushing program.

6                   4)     The POA hired a certified operator, Gerald Williams, and began  
7                   conducting several water quality tests of the system.

8    Q.     Did the POA make substantial progress in addressing the concerns and problems cited by  
9    TDEC?

10   A.     Yes. The POA's water system received a score of 98 on the Sanitary Survey performed  
11   by TDEC on October 19, 2011, which brought the POA's water system an approved designation  
12   by TDEC. A copy of the Sanitary Survey report is attached as Exhibit 2 to my testimony. By  
13   January 1, 2012, the POA had substantially achieved this goal of compliance, and TDEC  
14   dismissed the pending enforcement action against the Renegade Mountain water system after the  
15   POA successfully negotiated and paid TDEC \$11,282.50.

16   Q.     How much time did you spend in meeting with TDEC and working with Mr. McQueen  
17   and Mr. Williams and the suppliers and contractors for these projects?

18   A.     I do not know, but it was many hours during 2011 and in 2012.

19   Q.     Were you compensated for the time spent to make these improvements to the water  
20   system?

21   A.     No.

1 Q. How did the POA pay for the improvements to the water system which led to the  
2 dismissal of the TDEC enforcement action?

3 A. At the time the POA acquired the water system, it was unable to meet its current expenses  
4 with the revenue received at the rates being charged at that time. In fact, the water system owed  
5 its water supplier, Crab Orchard Utility District, almost \$20,000.00 at that time. Therefore, the  
6 POA had to borrow money to pay for the improvements to the water system and to finance the  
7 ongoing expenses of the water system.

8 Q. Since the POA acquired the water system, how much money has it borrowed to finance the  
9 improvements made to the water system mandated by TDEC and to finance the ongoing operations  
10 of the water system?

11 A. \$53,038.00 as of August 31, 2012.

12 Q. Who loaned the POA this money?

13 A. Renegade Mountain Timeshares, LLC,

14 Q. What is Renegade Mountain Timeshares, LLC?

15 A. The developer and owner of the majority of the weekly timeshare units of the Laurel Hills  
16 Condominiums.

17 Q. Why was Renegade Mountain Timeshares, LLC willing to loan the POA this money to  
18 improvement its water system in light of the financial condition of the water system?

19 A. To insure that the Laurel Hills Condominiums had a continuing water supply which was  
20 necessary to grow and market the timeshare units.

21 Q. Besides financing the improvements to the water system and its ongoing expenses, for what  
22 else did the POA use the borrowed funds?



1 A. The POA used these funds to pay TDEC the \$11,282.50 civil penalty which was the  
2 negotiated amount TDEC was willing to accept to settle its pending enforcement against the water  
3 system.

4 Q. After you learned about the water system improvements being mandated by TDEC, did the  
5 POA review the rates which were being charged for water service?

6 A. Yes. The first water bill sent to the POA's water system customers was billed at the flat  
7 monthly rate which had been in effect for several years. For water service beginning June 2011, the  
8 POA implemented a flat rate of \$86.40 per residential unit for monthly water service. The POA  
9 adopted this rate after reviewing the anticipated monthly operating expenses of the water system, the  
10 anticipated cost of improvements needed in the system to comply with TDEC regulations and the  
11 debts of the water system. The water system's only source of revenue is from its monthly service  
12 rates. Once the POA decided the amount of revenue required, it concluded that the water system  
13 should continue to charge a flat monthly service rate per residential unit.

14 Q Why did the POA decide to continue to charge a flat monthly rate per residential unit?

15 A. At the time the POA acquired the water system, the water system was not metered. The  
16 water system has approximately 50 customer connections; however, one customer, Cumberland  
17 Point Condominiums Association, purchases water for the 84 residential units in the Cumberland  
18 Point Condominiums complex. In total, Laurel Hills has approximately 50 customers but provides  
19 water service for approximately 135 residential units. While the water system has about 50  
20 connections, less than 10 of the single family homes on the system in the Renegade Mountain  
21 development are occupied full time. Currently, less than 25 of the units in the Cumberland Point  
22 Condominiums have full time residents. Some of the single family homeowners in the Renegade

Mountain development have wells and do not purchase water from the POA. Therefore, establishing a rate based upon water usage was not deemed appropriate.

Q. Does the POA need to make any additional improvements to the water system in the near future?

A. Yes. When we developed our plan of action with TDEC, we were aware that the existing water tank would need to be taken out of service for cleaning, maintenance and painting. In our meeting with TDEC, the installation of the new variable speed pump and modification of the pump station was given top priority for two reasons. First, the installation and operation of the pump would aid in preventing the portion of the water line which is above ground from freezing in the winter months. Second, the pump would provide enough pressure in the water system to permit the water tank to be placed out of service for maintenance. Therefore, TDEC did not give the POA a deadline on the rehabilitation of the water tank.

Q. Does TDEC now want the POA proceed with the rehabilitation of the water tank?

A. Yes. The POA needs to rehabilitate and place the water tank back into service to provide continuous service to its customers. In recent months the water system has been unable to pump water from its water supplier because of line breaks in the water supplier's system. Water storage is needed to maintain service when its pump goes offline due to power outages or when its water transmission line up the mountain which is exposed above ground freezes in the winter. Under TDEC's rules the POA must have 24 hours of storage based upon average daily demand. Currently, the POA has no storage within its system.

Q. Has the POA obtained a quote or bid for the tank rehabilitation work?

1 A. Yes. On July 18, 2012, Pittsburg Tank and Tower Maintenance POA, Inc. submitted a quote  
2 for the tank rehabilitation in the amount of \$183,000.00.

3 Q. Does the POA have funds available to finance the water tank rehabilitation?

4 A. No. The POA has no cash on hand to pay for the water tank rehabilitation. The POA is not  
5 able to borrow the funds necessary for the water tank rehabilitation.

6 Q. How will the POA pay for the tank rehabilitation?

7 A. The funds necessary must be obtained from revenue received from the monthly water service  
8 rates charged by the POA to its customers.

9 Q. Are there any other water system improvements which TDEC has requested be made in the  
10 water system?

11 A TDEC has recommended that a backflow preventer be installed at every one of its service  
12 connections to protect the integrity of the POA's water system.

13 Q. Who must pay for the installation of the backflow preventer?

14 A. The customer; however, once a backflow preventer is installed it must be inspected and tested  
15 annually which will be an expense of the water system, and TDEC requires records be kept of each  
16 test.

17 Q. At the time the POA acquired the water system, did the POA have the ability to discontinue  
18 water service at individual customer connections for nonpayment of the POA's water bills?

19 A. No. As far as I could tell there was no valve or other mechanism in place on the water lines  
20 owned by the POA which could be used to discontinue water service for nonpayment to individual  
21 customer connections.

1 Q. How does the inability to discontinue water service have at individual customer connections  
2 affect the financial position of the POA's water system?

3 A. The POA has been unable to cost effectively collect unpaid water bills by its customers which  
4 has deprived it of badly needed revenue. The POA has been unable to discontinue water service to  
5 nonpaying customers without also discontinuing service to paying customers. Because of the nature  
6 of the service provided, public utilities generally have the right to discontinue utility service for  
7 nonpayment to collect unpaid utility bills. The POA has not been able to do that.

8 Q. Has the POA begun the installation of valve boxes on its water service lines to allow it to  
9 discontinue water service for nonpayment at individual connections?

10 A. Yes, to date the POA has installed a valve box at one customer connection and plans to  
11 continue to install valve boxes on all customer connections when funds become available to do so.

12 Q. How much has the POA spent to date on installing these valve boxes?

13 A. \$1,000.00. The valve box was been installed by contract labor from Renegade Resources,  
14 LLC.

15 Q. How much does the POA project it will need to spend to complete the installation of the  
16 valve boxes at its remaining customer connections?

17 A. Approximately, \$43,000.00

18 Q. How must the POA pay for the completion of the installation of the valve boxes?

19 A. From revenue received from its monthly water service rates charged to its customers.

20 Q. Have you prepared a Financial Exhibit to support the POA's request for a monthly service  
21 rate of \$134.26?

1 A. Yes, I have. I prepared a pro forma income statement for the POA's water operations for the  
2 2013 calendar year which is attached as Exhibit 2 to my testimony.

3 Q. Please explain how the annual revenues were developed?

4 A. I multiplied the total number of residential units which can be served the POA's water  
5 system, which is 135 residential units, by the requested monthly flat service rate of \$136.26. I took  
6 this monthly projected revenue amount and multiplied it by twelve to arrive at the projected annual  
7 revenue of \$217,500.00 needed to cover the expenses of the POA's water operations..

8 Q. Does the POA expect to continue to provide water service to all of its 50 of its customer  
9 connections?

10 A. No. There are times when not all 50 customer connections have owners or renters who are  
11 responsible for paying a monthly water bill. For example, two single family homes have been  
12 foreclosed upon by banks who have not requested water service from the POA.

13 Q. Please explain how you arrived at operating expenses included on the projected income  
14 statement.

15 A. I looked at the historical operating expenses of the POA's water system operations since the  
16 POA acquired the water system and made adjustments for known and anticipated changes during the  
17 year ending December 31, 2013. While I reviewed historical operating costs, the operation of a  
18 water utility was new for the POA and most of its time and efforts have been spent trying to bring the  
19 water system into compliance with TDEC requirements for public water systems. I did review the  
20 projected operating expenses with Roger Goins, CPA, who has some experience in working with  
21 water utility districts. .

22 Q. What expenses are included in Management Fees?

1 A. The POA uses and will continue to use contract labor from Renegade Resources, LLC for  
2 ongoing operation and maintenance work on the water system and for small projects needed on the  
3 water system. Renegade Resources, LLC is an employee leasing company available to provide labor  
4 for the Renegade Mountain development, including the POA.

5 Q. How will the POA be charged for contract labor provided by Renegade Resources, LLC?

6 A. When the POA uses an employee of Renegade Resources, LLC, the employee will prepare a  
7 record of the time worked and description of the work performed. To the extent work is done for the  
8 water system, the POA will pay Renegade Resources, LLC for this work.

9 Q. What is included in accounting services?

10 A. Accounting services includes work performed by Landsford & Stephens, CPAs for billing,  
11 record keeping, bookkeeping, depositing of checks for monthly bills and tax preparation. Payments  
12 made to Roger Goins, CPA, are included in accounting services.

13 Q. What is included in Insurance?

14 A. Premiums paid for public liability insurance and officers and directors liability insurance for  
15 the POA. The POA believes that 50% of the premium costs should be allocated to the water system  
16 operations.

17 Q. If any of the operating expenses in the pro forma income statement are allocated between the  
18 POA's water system operation and the POA's other business, please state the operating expense  
19 which is allocated and the method used to allocate this expense to the water system operation?

20 A. Some of the expenses of the POA are appropriately shared between its water operations and  
21 condo management operations. Both the water operations and condo management operations have  
22 the benefit of one condo unit rent free. The POA has allocated 40% of the following expenses to the

1 water operations: small maintenance expense items such as pest control, yard maintenance and  
2 building maintenance; telephone; office expense; and real property taxes.

3 Q. What expenses have you included in the Other Expense category?

4 A. The POA has an outstanding bill from Darrell McQueen, P.E. for \$26,000 for engineering  
5 services rendered from June 1, 2011 through May 31, 2012 which the POA desires to pay off in  
6 twelve months. The POA has an outstanding bill from Branstetter, Stranch & Jennings, PLLC as of  
7 June 30, 2012, in the amount of \$30,532.62. The majority of these legal expenses were spent to  
8 defend the POA in two pending lawsuits filed against it in the Chancery Court of Cumberland  
9 County. As of June 30, 2012, the POA has incurred legal expenses in the amount of \$2,055.00  
10 related to this TRA Petition.

11 Q. Has the POA included the amount of the Authority inspection fee and other regulatory costs  
12 in the financial exhibits?

13 A. No, not at this time.

14 Q. Has the POA included the anticipated legal and accounting costs of this proceeding in the  
15 financial exhibits?

16 A. No, not at this time.

17 Q. Before filing the Petition in this case, did you or anyone with the POA have experience in  
18 running a water utility or experience in public utility accounting?

19 A. No.

20 Q. At the time the POA purchased the Renegade Mountain water system, were you aware of any  
21 prior owner of the water system had obtained a certificate of public convenience and necessity from  
22 the Authority or its predecessor, the Tennessee Public Service Commission?

1 A. No, not to the best of my knowledge.

2 Q. What monthly service rates have the customers of the water system actually been paying for  
3 water?

4 A. As a result of the two temporary injunctions issued by Chancellor Ronald Thurman in  
5 Cumberland County, the POA's water customers have been paying a monthly service rate of \$43.20  
6 per residential unit since February of 2012. Before this injunction was issued, most of the POA's  
7 customers had paid this same rate since June of 2011, although some customers had paid the monthly  
8 service charge established by the POA in June of 2011 of \$86.40 for some months.

9 Q. Have the POA's customers consistently made monthly payments for water service since June  
10 of 2011 at either the \$86.40 rate or the \$43.20 rate?

11 A. No, payments have not been consistent with some months almost no payments being made.  
12 The POA's inability to discontinue service to individual customer connections prevented the POA  
13 from using water service termination to collect unpaid water bills. As a result of the two temporary  
14 injunctions issued, practically all of the POA's water customers have made payments on their  
15 accounts for each month through June of 2012 at least at the \$43.20 monthly service rate.

16 Q. Mr. McClung, you recognize that you are asking the Authority to approve rate for monthly  
17 water service which is five times larger than the rate the water system's customers were paying at the  
18 time the POA acquired the water system?

19 A. I do. The size of the rate needed to finance the operation, maintenance, upgrades and capital  
20 improvements to the water system had prompted the POA to conclude that the Renegade Mountain  
21 water system was not a financially viable water system. Nevertheless, Chancellor Thurman ordered  
22 the POA to file its Petition in this matter which requires that Authority set a monthly service rate to



1 cover its cost of service. The neglect of the water system and the current water quality regulations of  
2 TDEC have required and will require large capital expenditures for a water utility this small. The  
3 POA is a nonprofit corporation which has no owners or shareholders. Therefore, the only way the  
4 POA can finance capital improvements to its water system is to borrow money or to finance the  
5 improvements through monthly service rates. The POA is unable to borrow any money because of  
6 its poor financial condition. The prior owners of the system failed to set rates to cover the water  
7 system's cost of service for many years; therefore, the monthly rate which the Authority will be  
8 required to set for the water system's customers will result in a dramatic rate increase in the monthly  
9 rate.

10 Q. In the tariff filed with the Amended Petition, you included a reconnection fee of \$500.00.  
11 Why was this reconnection fee included?

12 A. Many of the single family homes being served by the system do not have full time residents.  
13 These residents have the ability to cancel service when they leave and then they request reinstatement  
14 upon their return. Between these time periods the POA receives no monthly service revenue from  
15 these customer connections. The reconnection fee is designed to discourage the cancellation of  
16 service for temporary periods of time and will provide the POA revenue should such temporary  
17 service cancellations occur

18 Q. Does this complete your direct testimony?

19 A. Yes its does.



STATE OF TENNESSEE  
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
COOKEVILLE ENVIRONMENTAL FIELD OFFICE

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October 25, 2011

Mr. Mike McClung, Managing Member  
Laurel Hills Condominium Association  
Renegade Mountain Water System  
P.O. Box 288  
Crab Orchard, Tennessee 37723

RE: Sanitary Survey  
Renegade Mountain Water System  
PWSID #0008157  
Cumberland County

Dear Mr. McClung:

On October 19, 2011 Leo Coleman of the Division of Water Supply visited the Renegade Mountain Water System and performed a Sanitary Survey. The survey consisted of a records review to document the operational performance of the system, and on-site inspections of the distribution system. The Sanitary Survey covered the time period November 30, 2009 through October 19, 2011. The Division would like to thank Mr. Gerald Williams Certified Operator and Mr. Darrel McQueen for their courtesy, willingness to work with the Division, and timely responses to Division requests.

Based on the file review and observations made at the time of the on-site inspection, The Renegade Mountain Water System earned 416 points out of a possible 421 points for a numerical score of ninety-eight percent (98%).

The following comments apply:

1. The Renegade Mountain Water System is under new management and is now known as Laurel Hills Condominium Association, Renegade Mountain Water System. Records available for review included Monthly Operations Reports, Bacteriological analysis and Sampling Plan, Lead and Copper analysis and Consolidation Agreement with Crab Orchard Utility District, Flushing Plan and partial record of line flushing, Emergency Response Plan and Disinfection By-product analysis. There were no records available for the period April 2010 through May 2011 when the system was in transition and had no operator. Subsequent

to new management, all sampling has been conducted in a timely manner and records management has improved significantly.

2. Rule 1200-5-1-.20 (1) states: "Any owner or operator of a public water system subject to the provisions of these rules shall retain on its premises or at a convenient location near its premises the following records:

#### RECORDS MAINTENANCE

The following records are required to be maintained and available for review for the specified period of time.

Microbiological results (Including line repair samples)	5 years	.20(1)(a)
Chemical Analyses	10 years	.20(1)(a)
Chemical Monitoring Waivers	10 years	.20(1)(k)
Lead and Copper (including documentation)	12 years	.20(1)(j)
Sanitary Surveys or other reports	10 years	.20(1)(c)
Action taken regarding violations	3 years	.20(1)(b)
Public Notification	3 Years	.20(1)(i)
Notification of Construction	survey to survey	.5(6)
Flushing Records	survey to survey	.17(10)(23)
New Tap Records	3 years or survey to survey	.17(32)
Records of variance and exemption	5 years following expiration of exemption or variance	.20(1)(d)
Daily worksheet, shift logs and MORs	5 years	.20(1)(g)
Cross connection records	5 years	.20(1)(h)
Complaint Logs	5 years	.20(1)(h)
Maintenance and Service Records (Including repairs of vandalism, break-ins, and system flushing)	5 years	.20(1)(h)
Storage tank inspections	5 years	.20(1)(h)
Consumer Confidence Reports	3 years	.20(1)(i)
Corrective Action Documentation (G.W.)	10 years	
Special Notice – Significant Deficiencies	3 years	
Record of Decision or Invalidation	5 years	
Dept. Specified Minimum Disinfectant Residual	10 years	
Daily Residual Disinfectant Concentration Records	5 years	

The system should also maintain records involving public notification resulting from violating the primary drinking water requirements.

The Division recommends that separate files be constructed for each of the above categories and maintained in a central location.

3. No new taps have been made recently however it should be noted that records of new taps must be maintained in accordance with rule 1200-5-1-.17(32) which states: "New service taps on existing mains that must be uncovered to make the tap, shall be flushed and the free chlorine residual measured and recorded prior to connecting the service lines. These records shall be retained until the next sanitary survey or for three years."

4. There was no complaint log available for review. Rule 1200-5-1-.17(24) states: "All community water systems must establish and maintain a file for customer complaints. This file shall contain the name of the person with the complaint, date, nature of complaint, date of investigation and results or actions taken to correct any problems."
5. Facility and Equipment maintenance and repair records must be maintained in accordance with Rule 1200-5-1-.20(1)(h) which states: "Cross-connection plans and inspection records, complaint logs, facility maintenance records, and storage tank inspection records shall be kept for 5 years."
6. Standard Operating Procedures for the operation of the distribution System must be developed. A **Standard Operating Procedures (SOP) Plan** is required by public water systems that do not have a certified operator "available" at all times to make all decisions affecting the quantity and quality of water produced and distributed. Under Water and Environmental Health Act Rule 1200-5-3-.04(3) and those policies issued by the Operator Certification Board which pertain to the rule, applicable water systems must have SOPs.

This SOP should be signed by all personnel making decisions about operation of the distribution system in the absence of the certified operator.

Please provide this office with a copy of your SOP for review and approval by January 1, 2012.

Guidance is attached for your convenience.

7. Water System personnel stated that unused portions of one line have been removed from service and other sections were, in the future, going to be removed from service. Renegade Mountain must submit as built plans for that portion of line removed from service and a plan showing the lines to be abandoned, the proposed blow-off location, a blow-off detail, and a \$50 plans review fee. TCA68-221-706 and Rule 1200-5-1-.17(19) state: "Before any new or modified community water treatment facility can be placed in service, it must be inspected and approved in writing by the Department."

Plans should be submitted to:

State of Tennessee  
Department of Environment and Conservation  
Division of Water Supply  
6<sup>th</sup> Floor L&C Tower, 401 Church Street  
Nashville, Tennessee 37243-1549  
Attn: R. William Hench

Assessment: Three (3) points

8. Public Notices for violations incurred during the transition period and the 2011 CCR have been posted at the guard shack and the community center.
9. An Emergency Operations Plan was not available therefore must be developed in accordance with Rule 1200-5-1-.17(7) which states in pertinent part: "all community water system shall prepare an emergency operations plan in order to safeguard the water supply and to alert the public of unsafe drinking water in the event of natural or man-made disasters. Emergency operation plans shall be consistent with guidelines established by the State and shall be reviewed and approved by the Department."

Please submit your Emergency Operations Plan for review and approval by January 1, 2012.

Guidance is attached for your convenience.

10. Bacteriological sampling has been conducted in compliance with Rule 1200-5-1-.07 since the system has been under new management. The Bacteriological Sampling Plan must be updated. Please submit it for review and approval by January 1, 2012.

Guidance is attached for your convenience.

11. Disinfection By-products are now being sampled in accordance with Rule 1200-5-1-.36.
12. The 250 KG storage tank is scheduled for inspection and cleaning during the spring of 2012.
13. Duplicate variable speed pumps are in place and have been temporarily wired in at the pump house. They were expected to be disinfected and tested on October 21, 2011 and placed in service within two weeks. After these pumps are placed in service the existing 90 gpm pump will be replaced with a rebuilt 90 gpm pump and used for backup if the need arises.

Two valves on 4 inch lines in the pump house (one 4 inch and one 1 inch with a rag stuffed in it) are not connected to the system. These valves shall be protected in accordance with Rule 1200-5-1-.17(17) which states in pertinent part: "All buildings and equipment used in and for the production and distribution of water (to include chemical and other storage buildings) must be well maintained and be reliable and fit for the purpose for which they are used."

This shall be accomplished at the time the new pumps are placed in service.

Assessment: One (1) point.

14. The security fence has been detached from the back corner of the pump house thus allowing access to the facility. This shall be reattached by December 1, 2011.

Assessment: One (1) point.

15. It is understood that no repairs have been made recently however it should be noted that new line construction, line repairs and disinfection verification must be recorded in accordance with Rule 1200-5-1-.17(8) which states: "(8) (a) General-Public water systems, construction contractors and engineers shall follow and document sanitary practices used in inspecting, constructing or repairing water lines, finished water storage facilities, filters and wells. In lieu of writing their own disinfection standard operating procedures, public water systems, engineers and contractors may choose to follow the latest edition of the AWWA standards C-651, C-652 or equivalent methods provided the method has been approved in writing by the department and is available during the inspection, construction, maintenance or repair activity. The documentation shall include bacteriological sample results, construction logs, standard operating procedures and may include photographs where appropriate. All pipes, tanks, filters, filter media and other materials shall be properly disinfected prior to being placed in service. Any disinfectant used to disinfect shall be NSF approved or plain household bleach and used in a manner that assures sufficient contact time and concentration to inactivate any pathogens present. Bacteriological results including line repair records indicating adequacy of disinfection shall be maintained on file by the water system for five years. All public water systems, contractors, and engineers shall prepare and follow standard disinfection procedures approved by the state when inspecting, maintaining, repairing or constructing lines, tanks, filters and wells. Procedures to ensure that water containing excessive concentrations of disinfectant is not supplied to the customers or discharged in such manner as to harm the environment shall be implemented. All materials used for new or repaired water lines, storage facilities, filters, filter media, and wells will be inspected prior to use for any evidence of gross contamination. Any contamination observed shall be removed and the materials protected during installation.
- (b) Disinfection of New Facilities-Bacteriological samples will be collected and analyzed to verify the effectiveness of the disinfection practices prior to placing new facilities in service. Bacteriological samples shall be collected to determine the effectiveness of the installation process including protecting the pipe material during storage, installation, and disinfection. This can be demonstrated by collecting two sets of microbiological samples 24 hours apart or collecting a single set of microbiological samples 48 hours or longer after flushing the highly chlorinated water from the lines. In either case microbiological samples in each set will be collected at approximately 2,500-foot intervals with samples near the beginning point and at the end point unless alternate sampling frequency and distance between sampling points approval have been obtained from the state. Where sanitary conditions were not maintained before, during or after construction, an additional bacteriological sample shall be collected from a location representing the water from the contaminated area. Unsanitary conditions include failure to document the sanitary handling of materials, to conduct construction inspections and to maintain records, and to document sanitary practices during construction and other hazards such trench flooding during construction. If the constructed facility yields positive bacterial samples, additional flushing, disinfection and bacteriological sampling shall be repeated until the water is coliform free.
- (c) Disinfection of Existing Facilities-Drinking water mains, storage facilities and filters that have been partially dewatered during inspection or repair shall, after the repair or inspection is completed, be disinfected, and flushed prior to placing it back in service. Bacteriological samples shall be collected immediately or as soon as possible after the repair is completed

and from a location representing the water contained in the repaired line, tank or filter. The repaired facility may be returned to service prior to obtaining bacteriological results. If the repaired facility yields positive samples, additional flushing, disinfection and bacteriological sampling shall be repeated until the water is coliform free.

1. If one-half or more of either the original or repeat bacteriological samples collected from the repaired or renovated facility are total coliform positive, the system shall notify the state within 30 days that it has reviewed its disinfection and sampling practices in an attempt to identify why the positive samples occurred and revise its disinfection and sampling plans accordingly.

2. If any public water system collects a fecal coliform positive repeat sample or ecoli positive repeat sample or a total coliform positive repeat sample following an initial positive fecal coliform or e-coli sample collected from the repaired or renovated facility, the system shall notify the state within 24-hours and issue a tier 1 public notice using the language specified in Appendix B of Rule 1200-05-01-.19.

(d) Inspectors, contractors, operators, public water systems or engineers that fail to document and follow adequate disinfection procedures, and fail to collect bacteriological samples during repairs, inspections or maintenance activities that potentially would compromise the microbial quality of the water shall issue a boil water advisory to the customers served by that portion of the public water system prior to returning the facility to service. The boil water advisory shall remain in effect until satisfactory microbial tests results are obtained."

Please submit your updated new and repaired line disinfection verification Standard Operating Procedure for review and approval by January 1, 2012

Guidance is attached for your convenience.

16. The Flushing Plan must be updated. Records of all line flushing must be maintained in accordance with Rule 1200-5-1-.17(10) which states: "All community water systems having more than 50 service connections shall establish and maintain an adequate flushing program. The flushing program established shall help ensure that dead end and low usage mains are flushed periodically, drinking water standards are met, sediment and air removal and the free chlorine residual specified under Rule 1200-05- 01.17(4) is maintained. Records of each flushing are to be maintained by the water system. These records shall include date, time, location, persons responsible and length of flushing. In addition to the above information, the free chlorine residual will have to be measured and recorded on the end of dead end mains after being flushed."


Please submit your updated flushing plan for review and approval by January 1, 2012.

17. A fire hydrant color code has not been established nor have fire departments that might respond to calls in this area been notified. Rule 1200-5-1-.17(18) states: "All community water systems planning to or having installed hydrants must protect the distribution system from contamination. All water mains designed for fire protection must be six inches or larger and be able to provide 500 gallons per minute with 20 pounds per square inch residual pressure. Fire hydrants shall not be installed on water mains less than six inches in diameter or on water mains that cannot produce 500 gpm at 20 psi residual pressure unless the tops are

The new Sanitary Survey Manual that became effective January 1, 2009 may be downloaded at: <http://www.state.in.us/environment/dws/pdf/SSManual.pdf>

Please contact Leo Coleman or me at (931) 432-4015 if you have questions or comments.

Sincerely,



Johnny K. Walker, Manager  
Division of Water Supply  
Cookeville Environmental Field Office

Enclosure: Compact Disc containing:  
System Standard Operating Procedure Guidance  
Emergency Operations Planning Guidance  
Bacteriological Sampling Plan Guidance  
Disinfection verification of new and repaired line guidance  
Cross Connection Control Guidance Document  
Cross Connection Control Plan  
Generic Cross Connection Control Policy

CC: Gerald Williams, Certified Operator  
Cumberland County Health Department  
DWS, Central Office  
File



## Sanitary Survey Rating

System: RENEGADE MTN, CAMBERLAND Co, PWSID 0009157

Date: 10/17/11

### I. System Management and Operation (94)

	Requirement	Points Range	Deduction	Comments
A.	Record Keeping 1200-5-1-.20	(0)	Narrative	<u>NO RECORDS FROM 4/11 11:00 BY</u> <u>OT. NO RECORDS 4/10-5/11</u>
B.	Construction Projects 1200-5-1-.05, 1200-5-1-.17	(1-5)	<u>3</u>	<u>NO PERMITS PLAN TO TAKE 1 LINE FROM</u> <u>UNUSED LINES OUT OF SVC. OUT OF SVC.</u>
C.	Submission of Monthly Operations Reports 1200-5-1-.17	(0)	Narrative	<u>GOOD SINCE OPERATION ON BOARD</u>
D.	Reporting Requirements 1200-5-1-.18	(4-30)		
E.	Public Notification 1200-5-1-.19	(3-10)		<u>PUBLIC NOTICES &amp; CCR POSTED</u> <u>9/20, 10/17 TO REMAIN UNTIL 12 COMPLETION</u>
F.	Facility Maintenance Fee	(0)	Narrative	
G.	Enforcement -- T.C.A. §68-221-701 et seq.	(4-10)		
H.	Emergency Operations Plan 1200-5-1-.17	(3)		<u>DEVELOP TO CURRENT STD</u> <u>ERP '06</u>

Deficiency Subtotal 3

### 2. Operator Compliance (23)

	Requirement	Points Range	Deduction	Comments
A.	Certified Operator - Plant and Distribution System 1200-5-1-.17(1) and 1200-5-3-.04	(3-15)		<u>NOTICE OF NON-COMPLIANCE 4/12</u> <u>OPERATOR ON BOARD 6/11</u> <u>NEED SOP'S</u>

Deficiency Subtotal 3

### 3. Source (25)

	Requirement	Points Range	Deduction	Comments
A.	Source Adequacy 1200-5-1-.02, .05, .16, .17(13) and .34(3)	(3-5)		<u>N/A</u>
B.	Intake 1200-5-1-.05, .17	(2)		<u>J</u>

C.	Wellhead/Springbox Construction 1200-5-1-.05(12), .16 and .17(3) and (16)	(2)		N/A
D.	Source Protection Plans 1200-5-1-.34	(1-2)		

Deficiency Subtotal **0**

#### 4. Treatment (153)

	Requirement	Points Range	Deduction	Comments
A.	Aerator 1200-5-1-.05, .17	(2)		N/A
B.	Chemicals / Chemical Feeders 1200-5-1-.05 (8) and .17, .36	(2)		
C.	Mixing 1200-5-1-.02, .05, .17	(2)		
D.	Flocculation 1200-5-1-.02, .05, .17	(2)		
E.	Sedimentation 1200-5-1.02, .05, .17	(2)		
F.	Filtration / Alternative Technology 1200-5-1-.17(12) and (27)	(2-30)		
G.	Re-Wash / Filter-to-Waste 1200-5-1-.17(35)	(2)		
H.	Turbidimeters / Calibration 1200-5-1-.05(11), .17, .31, .39	(2-4)		
I.	Disinfection 1200-5-1-.02, .17, .31, .36	(2-30)		
J.	Disinfection Contact Time 1200-5-1-.02, .17, .31	(2-4)		
K.	Master Meter 1200-5-1.17(2) and (3)	(1-2)		
L.	Maintenance of Equipment, Buildings and Grounds 1200-5-1-.02, .17(3), (17) and (19)	(1)		
M.	Laboratory Facilities 1200-5-1-.02, .14, .17(3)	(1-3)		
N.	Safety 1200-5-1-.02	(2)		
O.	Sludge Handling/Backwash Handling 1200-5-1-.05	(2)		
P.	Sanitary Conditions 1200-5-1-.17(17)	(2)		
Q.	Fluoridation Techniques 1200-5-1-.06, .12, .17	(2)		
R.	Design Capacity 1200-5-1-.05(10)	(2-4)		
S.	Filter Backwash Recycling 1200-5-1-.31(9)	(1)		

Deficiency Subtotal **0**

## 5. Monitoring, Data Verification and Compliance (175)

Requirement	Points Range	Deduction	Comments
A. Laboratory-Process Monitoring (excluding Turbidity and Chlorine Residual) 1200-5-1-.17(3)	(2)		N/A
B. Bacteriological Monitoring	(2-6)		No BACT 4/10 - 5/11
C. Bacteriological Compliance 1200-5-1-.06	(4-7)		GOOD
D. Turbidity Monitoring	(2-3)		N/A
E. Turbidity Compliance	(4-7)		
F. Chlorine Residual Monitoring 1200-5-1-.17, .31, .38	(2-3)		
G. Primary Chemicals Monitoring	(2-3)		
H. Primary Chemicals Compliance	(4)		
I. Lead and Copper Monitoring 1200-5-1-.33	(2-3)		OK
J. Lead and Copper Action Level 1200-5-1-.33	(3-5)		9/16/11 RESULTS NOT IN PET
K. Disinfection/Disinfection By-Products and Precursors Monitoring 1200-5-1-.36, .37, .38	(2-3)		No Mon 4/10 - 5/11
L. Disinfection/Disinfection By-Products and Precursors Compliance 1200-5-1-.06, .36	(2-30)		THMS OK
M. Secondary Chemicals 1200-5-1-.12	(2)		N/A
N. Secondary Chemicals Compliance 1200-5-1-.12	(3)		N/A
O. Cryptosporidium Monitoring 1200-5-1-.38	(0)	Narrative	N/A

Deficiency Subtotal ~~100~~

## 6. Finished Water Storage (25)

Requirement	Points Range	Deduction	Comments
A. Adequate Storage 1200-5-1-.17(14)	(2-4)		250 KG
B. Inspection and Maintenance of Reservoirs, Tanks and Clearwell 1200-5-1-.17(16), (17), (33) and (34)	(1-10)		CONTRACTED SCHED FOR SPRING '12

Deficiency Subtotal ~~100~~

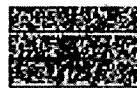
## 7. Pumps, Pump Facilities and Controls (18)

Requirement	Points Range	Deduction	Comments
A. Pump Facilities 1200-5-1-.17(9) and (13)	(1-4)	<u>1</u>	SECURITY FENCE NOT INTACT 2 NEW 20 GPM PUMPS IN PLACE 2 TEMP WIRED DISINFECT & TEST
B. Maintenance of Pumping Equipment 1200-5-1-.17(13)	(1-3)	<u>1</u>	2 UNPROTECTED VALVES WIN 2 WK OLD PUMP TO BE REPLACED WIN MONTH
Deficiency Subtotal		<u>2</u>	

## 8. Distribution System and Cross Connection Controls (86)

Requirement	Points Range	Deduction	Comments
A. Notification, Inspection, Disinfection and Sample Collection of New or Existing Facilities 1200-5-1-.17(8), (19)	(3-5)	<u>1</u>	NO NEW OR REPAIRED MAIN LINES NEED TO UPDATE DISINFECTION VERIFICATION SOP
B. Flushing Program / Blow Off 1200-5-1-.17(10) and (23)	(3-4)	<u>1</u>	END OF LINE (LOWEST PT.) FLUSHED W/LLY
C. Fire Hydrants 1200-5-1-.17(18)	(0)	Narrative	ALL RED - NO WRITTEN LOG, NO FIRE CHIEF NOTIFICATION
D. Adequate Pressure 1200-5-1-.17(9)	(6)	<u>1</u>	
E. Map of Distribution System 1200-5-1-.17(15)	(3)	<u>1</u>	CURRENT - GOOD
F. Approved Cross Connection Policy or Ordinance and Plan 1200-5-1-.17(6)	(4)	<u>1</u>	UPDATE / DEVELOP
G. Working Cross Connection Program 1200-5-1-.17(6)	(3-9)	<u>1</u>	APP. DRAFT
H. Unaccounted Water Loss	(0)	Narrative	

Deficiency Subtotal  
Total Deficiency Points  
Overall Rating  
Inspector's Signature



F426-9870  
J. H. B. B. B.

Additional Comments/Explanation:

3" REPLACEMENT RP ON ORDER EXPECT TO INSTALL WHEN NEW PUMPS ON LINE  
NO REPAIR RECORDS - SAID SVC LINES ALL THAT HAD BEEN WORKED ON  
NO COMPLAINT LOG

**Laurel Hills Condominiums POA****Pro-forma Income for the year ending December 31, 2013****Revenues**

Water Fees	215,700.00
	<u>215,700.00</u>

**Expenses:****Operating & Maintenance**

Purchased Water	21,000.00
Electricity	9,600.00
Certified Operator and Water Testing	7,200.00
Accounting Services & Management Fees	18,600.00
Office Expense	2,400.00
Insurance Expense	8,400.00
Repair & Maintenance-Tank Rehabilitation	24,000.00
Telephone Expense	1,500.00
Property Taxes	2,400.00
Interest Expense	22,800.00
Engineering and Labor	6,000.00
Depreciation Expense	6,000.00
Postage	600.00

**Other-Payables**

Legal Fees-Payable	30,000.00
Engineering - Payable	24,000.00
Permits and Penalties	14,400.00
Valve Box Installation	16,800.00

<b>Total Expenses</b>	<u>215,700.00</u>
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<b>Income (Loss)</b>	<u>0.00</u>
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