

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

<b>JOINT PETITION OF</b>	)	
<b>TENNESSEE AMERICAN WATER</b>	)	
<b>COMPANY, THE CITY OF</b>	)	<b>DOCKET NO. 12-00157</b>
<b>WHITWELL, TENNESSEE, AND THE</b>	)	
<b>TOWN OF POWELLS CROSSROADS,</b>	)	
<b>TENNESSEE, FOR APPROVAL OF A</b>	)	
<b>PURCHASE AGREEMENT AND A</b>	)	
<b>WATER FRANCHISE AGREEMENT</b>	)	
<b>AND FOR THE ISSUANCE OF A</b>	)	
<b>CERTIFICATE OF CONVENIENCE</b>	)	
<b>AND NECESSITY</b>	)	

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**TENNESSEE AMERICAN WATER COMPANY'S SECOND RESPONSES TO DATA  
REQUESTS BY CONSUMER ADVOCATE AND PROTECTION DIVISION OF THE OFFICE  
OF THE ATTORNEY GENERAL**

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Tennessee American Water Company ("TAWC"), by and through counsel, hereby responds as follows to the Second Set of Data Requests propounded by the Consumer Advocate and Protection Division of the Office of the Attorney General.

**GENERAL OBJECTIONS**

1. TAWC objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.
2. TAWC objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations, or orders of the Tennessee Regulatory Authority.
3. The specific responses set forth below are based on information now available to TAWC, and TAWC reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. TAWC objects to each request to the extent that it is unreasonably cumulative or duplicative, or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

5. TAWC objects to each request to the extent it seeks information outside TAWC's custody or control.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Kevin Rogers**

21. What sources of water supply does [sic] the City of Whitwell and Dunlap currently use?

**RESPONSE:**

The City of Whitwell and the City of Dunlap both use the Sequatchie River.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Kevin Rogers**

22. What source of water supply did West Valley and Powells Crossroads use before Whitwell operated them? If these sources are still used by Whitwell, please indicate the gallons and percentage for each source of supply. If these sources are not used to supply water, please explain why not.

**RESPONSE:**

West Valley and Powells Crossroads were both served by the City of Whitwell prior to their operation by Whitwell. Neither has developed a source of supply or treatment facilities. Before Whitwell acquired West Valley, West Valley purchased water from Whitwell. Whitwell extended its system into the Powells Crossroads area to serve the population there.



**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Kevin Rogers**

23. If Whitwell and Dunlap are both coming from the same source of water supply, explain how the nearly \$1.6 million connection of the Whitwell system to the Dunlap system will increase Whitwell's water supply?

**RESPONSE:**

Dunlap's water intake is positioned in a better channel location than the Whitwell system. Dunlap's water intake is positioned in a wide, shallow bend where flow can move around and redirect. Moreover, Dunlap has significant water-storage capabilities that can readily provide up to 500,000 gallons per day to Whitwell if needed. Connecting to Dunlap would protect the Whitwell customers from running out of water in the event of major repairs or emergency.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Kevin Rogers**

24. Provide the forecasted amount in gallons from each source of supply and percentage for each source of supply after the proposed connection of Whitwell and Dunlap.

**RESPONSE:**

The Whitwell forecasted system delivery is 516,000 gallons per day for 2013 dropping to 504,900 in 2017. The Dunlap connection could provide up to 500,000 gallons a day if needed.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Kevin Rogers**

25. Please explain why TAWC plans to spend nearly \$1.6 million connecting Whitwell to Dunlap's system before fully making the necessary repairs to reduce the non-revenue water supply losses (and thereby enabling the Whitwell system to operate with its existing water supply).

**RESPONSE:**

TAWC does not know the full extent of the water-loss problems at this time and will need to undertake extensive study and work to assess the full extent. It can reasonably be expected that the issues will prove to be multifaceted and require many years of work to correct. TAWC will evaluate and update the interconnect timing with a process of gaining a better understanding of the data moving forward. The Dunlap interconnect is primarily contemplated as an emergency source to be utilized in case of needed plant repairs or failure.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Kevin Rogers**

26. Provide a map of the Whitwell system, the West Valley system, and the Powells Crossroads system that shows where the pumps and plants are, and provide the distances from each system: (1) to each other, and (2) to neighboring systems (e.g. Dunlap, Jasper, Lone Oak, Suck Creek, etc.).

**RESPONSE:**

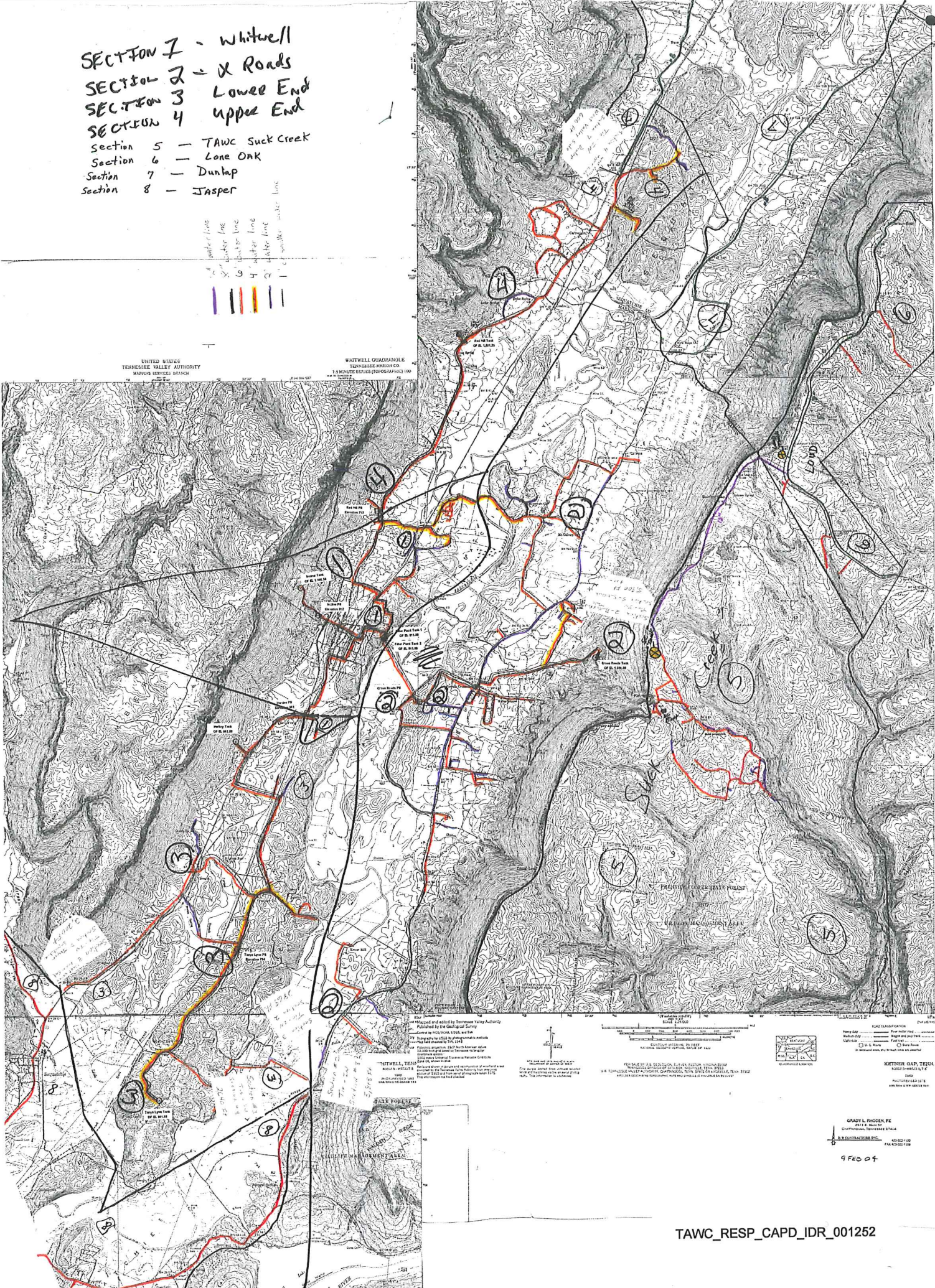
Please see the map attached to this response.



SECTION 7 - Whitwell  
SECTION 2 - X Roads  
SECTION 3 - Lower End  
SECTION 4 - Upper End  
Section 5 - TAWC Suck Creek  
Section 6 - Lone Oak  
Section 7 - Dunlap  
Section 8 - Jasper

UNITED STATES  
TENNESSEE VALLEY AUTHORITY  
MARINE SERVICE BRANCH

WHITWELL QUADRANGLE  
TENNESSEE-MADISON CO.  
MINUTE ISSUES (TOPOGRAPHIC) 100



Map and edited by Tennessee Valley Authority  
Published by the Geological Survey  
Control by NGS/NOAA, USGS, and TVA  
Photographs by USGS for photostatic methods  
Not listed by TVA, 1941

Publication information: 1947 North American edition  
10,000 foot grid based on Tennessee watercraft  
coordinate system  
1946 edition Tennessee Watercraft Grid Code  
Date 1946, Volume 10

Revised edition of Bureau and interpretation of modified  
geological map of Tennessee showing watercraft high average  
altitude of 1945 and from aerial photograph taken 1945.  
This information not listed checked

The purple dashed lines indicate sentence and field lines while an oval plethys. This information is unclassified.

FOR SALE BY U.S. GEOLOGICAL SURVEY, RESTON, VIRGINIA 20192  
 TENNESSEE DIVISION OF GEOLGY, NASHVILLE, TENN. 37219  
 U.S. TENNESSEE VALLEY AUTHORITY, CHATTANOOGA, TENN. 37402 OR KNOXVILLE, TENN. 37921  
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**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Dan Bickerton**

27. Please identify the related system for the assets on the asset listing provided in previous data responses

**RESPONSE:**

Whitwell does not specifically identify its water-system assets located within the City of Whitwell, Town of Powells Crossroads, or those in Marion and Sequatchie Counties that were part of the former West Valley system. TAWC plans to rely on documents previously provided by Whitwell and provided to the CAPD, such as annual depreciation schedules, Whitwell employees, system mapping, and a West Valley system valuation attached to this response. To identify the location of tanks and booster stations as well as lengths and sizes of mains within each of the four taxing jurisdictions. TAWC is aware that the water treatment plant is located within the City of Whitwell.

**City of Whitwell Water System - P.W.S.I.D. No. 0000749**  
**Summary of TDEC Sanitary Surveys**

**May 9, 2001**

**Numerical Rating of 93 (APPROVED)**

**March 23, 2000**  
**Numerical Rating of 88 (PROVISIONALLY**  
**APPROVED)**

**August 2 and August 7, 2002**  
**Numerical Rating of 70 (PROVISIONALLY**  
**APPROVED)**

4. Your system owns the master meter pit used to supply water to West Valley U.D. The pit is located on Hwy 28 at Hardee's. Due to poor drainage, the meter in this pit cannot be read much of the time, particularly after rain events, and poses a potential cross connection hazard due to standing water. A proper drainage mechanism must be installed by Whitwell before October 15, 2002.

5. Your emergency operations plan must be kept up-to-date for it to be effective in an emergency. It was noted that personnel names and phone numbers were out-dated.

6. Your 2000 Consumer Confidence Report was published in the local newspaper without first notifying your customers of the publication date. Regulation 1200-5-1-.35 required that you inform your customers prior to publication.

7. The complaint log is inadequate. It should contain the following information for each complaint that involves water quality or pressure: name of complainant, date, nature of complaint, date of investigation and action taken to correct the problem.

8. The data recorded on filter effluent turbidity charts does not properly document filter performance. The plant operator should label the chart with information such as when the plant is running. When it is not, when backwash occurs, and provide explanation for any abnormalities in the data. These turbidimeters must also be calibrated at least every 90 days.

4. The System's 1998 Consumer Confidence Report was delivered late to customers and this Division. Regulation 1200-5-1-.35 required that the Report be received no later than October 19, 1999. Keep in mind, the 1998 report is due before July 1, 2000.

5. The System should mark bacteriological sampling locations for each month on the map constructed for this purpose. This way, it is easy for Division personnel to assess the overall sampling plan during sanitary surveys.

6. Regulation 1200-5-1.17(14) requires that all community water systems have twenty-four hours of water storage, based on average daily demand. The Whitwell Water System's average demand has surpassed water storage capabilities, so planning must begin for a new tank in the distribution system.

7. Regulation 1200-5-1-.7(33) requires that water storage tanks be inspected every five years. Three of four Whitwell tanks are past due for this professional inspection.

8. The System's flushing program is established and activities are in progress. A distributor system should be flushed at least annually, with special attention placed on dead-end and low-use water mains. Additionally, records must be kept of all activities and the ending chlorine residual recorded for dead-end lines.

City of Whitwell Water System - P.W.S.I.D. No. 0000749  
Summary of TDEC Sanitary Surveys

August 2 and August 7, 2002  
Numerical Rating of 70 (PROVISIONALLY  
APPROVED)

9. Your system incurred a bacteriological monitoring violation for the month of April 2002. Five regular samples were required to be submitted to our laboratory in Knoxville. Only four valid samples were received. Public notification has been given as required.

10. Regulation 1200-5-1-17(14) requires that all community water system's have twenty-four hours of water storage, based on average daily demand. The Whitwell Water System's average demand has surpassed water storage capabilities. This is the third consecutive survey this problem has been noted. The customers of systems that do not maintain adequate storage capacity frequently experience low pressure and unforeseen water outages. The City of Whitwell must demonstrate a firm and irrevocable financial commitment toward constructing a storage tank prior to the next sanitary survey.

11. Line repair records must be kept for situations that require the main to be de-watered. These should include the procedure used to disinfect the repair (see current AWWA standard), the locations flushed (with chlorine residuals), and the bacteriological results. A certified laboratory must be used for bacteriological testing involving repairs of new lines.

12. Regulation 1200-5-1-17(33) requires that water storage tanks be inspected every five years. No inspection report for the Crossroads tank was available during the survey.

May 9, 2001  
Numerical Rating of 93 (APPROVED)

March 23, 2000  
Numerical Rating of 88 (PROVISIONALLY  
APPROVED)

9. An overall map of the distribution system must be compiled, in accordance with Regulation 1200-5-1-17(15). The map must show locations of water mains and their sizes, valves, blow-off valves, and fire hydrants.

10. The cross connection working program is much improved, but still needs more inspections and annual testing of all existing reduced-pressure-zone devices, in accordance with Regulation 1200-5-1-17(6).

11. The System has improved every facet of operation since the last sanitary survey. The effort put forth by the management and personnel is admirable. However, a lot remains to be done, both at the treatment plant and throughout the distributor system.



City of Whitwell Water System - P.W.S.I.D. No. 0000749  
Summary of IDEC Sanitary Surveys

August 2 and August 7, 2002  
Numerical Rating of 70 (PROVISIONALLY  
APPROVED)

May 9, 2001  
Numerical Rating of 93 (APPROVED)

March 23, 2000  
Numerical Rating of 88 (PROVISIONALLY  
APPROVED)

AUG 19 2003 11:08

13. The System's flushing program is marginal. Your records indicate that fire hydrant and blow-off valves are flushed one each year. None of the locations are flushed multiple times. Every system has low-use areas where chlorine residuals tend to be reduced, particularly during warmer months. These areas must be flushed multiple times each year to keep complaints to a minimum. Also, biofilms and potentially harmful biological agents can flourish in distribution systems that are not properly flushed.

14. The cross connection working program is improved, but better follow-up is needed when the cross-connection inspector decides a backflow prevention device needs to be installed or when testing indicates repairs are needed to an existing device. Also, every existing backflow prevention device in Whitwell's service area must be tested each year.

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PAGE 06

West Valley Water System  
PO Box 897  
13810 HWY 28  
Whitwell, TN 37397

facsimile transmittal

To: COLEMAN BUSH Fax: 859-268-6327  
From: CLINTON GARNER Date: 7-17-03  
Re: CITY OF WHITWELL  
CONDEMNATION Pages: 18  
CC:  
☐ Urgent ☒ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Notes:

MR. BUSH,

PLEASE REVIEW THE ATTACHED INFORMATION. IF YOU HAVE ANY QUESTIONS, PLEASE LET ME  
KNOW.

THANK YOU,

CLINTON GARNER

Angie

07-17-03 10:33am From-BAKER CHATTANOOGA

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T-117 P.01/14 F-322

LAW OFFICES  
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CMSK 267312 vj  
016031-00001 06/17/2003

PAGE 02

WESTALLEY

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T-117 P.02/14 F-322

Austin, Davis & Mitchell  
Attorneys at Law  
116 East Cherry Street • P.O. Box 668  
Dunlap, Tennessee 37327-0668

L. THOMAS AUSTIN  
M. KEITH DAVIS  
JENNIFER AUSTIN MITCHELL

Telephone (423) 849-4159  
Facsimile (423) 849-4588  
e-mail austinlaw@biedsoe.net

July 14, 2003

Via hand delivery

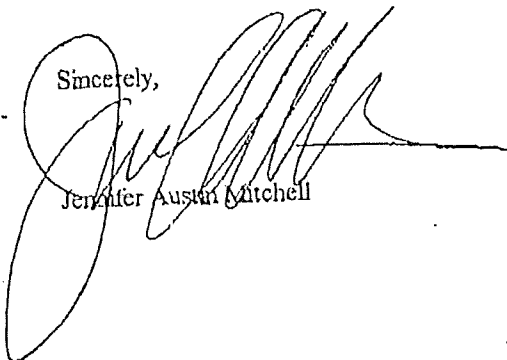
Hon. Thomas W. Graham  
Circuit Judge  
P.O. Box 993  
Jasper, TN 37347

RE: City of Whitwell, Tennessee v. West Valley Water System, Inc., et al.  
Marion County Circuit Court, Docket No. 15015

Dear Judge Graham:

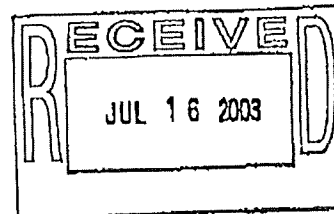
At the summary judgment hearing on June 18, 2003, you advised that the City of Whitwell needed to obtain an appraisal of the West Valley Water System within thirty (30) days. Please find enclosed the appraisal that I have received from Water Management Services, LLC. This is being filed as a late filed exhibit to the City of Whitwell's Response to West Valley's Summary Judgment Motion.

Sincerely,

  
Jennifer Austin Mitchell

Enclosures

cc: Joe Connor  
Chris Morrison



**IN THE TWELFTH JUDICIAL DISTRICT OF TENNESSEE**  
**CIRCUIT COURT OF MARION COUNTY**

CITY OF WHITWELL, TENNESSEE

Petitioner,

vs.

NO. 15015

WEST VALLEY WATER SYSTEMS, INC.,  
and DAVID SEIVERS, TRUSTEE FOR THE  
FARMERS HOME ADMINISTRATION,  
UNITED STATES DEPARTMENT OF  
AGRICULTURE,

JURY DEMAND

Respondents.

---

**NOTICE OF LATE FILED EXHIBIT TO THE CITY OF WHITWELL,  
TENNESSEE'S RESPONSE  
TO WEST VALLEY WATER SYSTEM INC.'S MOTION FOR  
SUMMARY JUDGMENT**

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COMES now the City of Whitwell, by and through its attorney, and submits the Water  
System Valuation attached hereto as Exhibit A, as an exhibit to its Response to West Valley  
Water System's Motion for Summary Judgment.

Respectfully submitted,

By: 

JENNIFER AUSTIN MITCHELL  
Attorney for Plaintiff  
BPR 20501  
P. O. Box 666  
Dunlap, TN 37327  
(423) 949-4159

07-17-03 10:33am From-BAKER CHATTANOOGA

+4237563447

T-117 P.04/14 F-822

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and exact copy of this pleading has been served upon the opposing party, or counsel for all parties at interest in this cause by delivering a true and exact copy of said pleading to the office of said counsel or by placing a true and exact copy of said pleading in the U.S. Mail addressed to the opposing party or said counsel at office, with sufficient postage thereupon to carry the same to its destination.

Mr. Joe Conner, Esq.  
Ms. Misty Kelley, Esq.  
Baker, Donelson, Bearman & Caldwell  
1800 Republic Centre  
633 Chestnut Street  
Chattanooga, TN 37450-1800

This 15<sup>th</sup> Day of July, 2003By: 

Jennifer Austin Mitchell

07-17-03 10:33am From-BAKER CHATTANOOGA

+4297569447

T-117 P.05/14 F-322

JUL 17 2003 16:50

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WATER SYSTEM VALUATION  
WEST VALLEY WATER SYSTEM, INC.

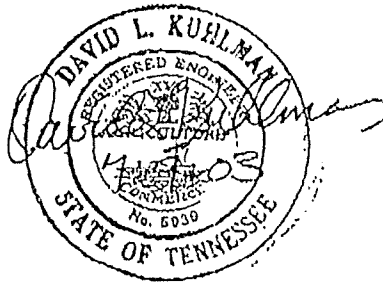
July 9, 2003

Prepared By

Water Management Services, LLC  
Professional Engineers

111 Bush Road  
Nashville, Tennessee 37217

David L. Kuhlman, P.E.  
615-366-6088



WMS #03148

*This valuation of the West Valley Water System has been completed at the request of the City of Whitwell, Tennessee. The valuation is based on information available to Water Management Services as of July 3, 2003, and includes: a map of the water system; a copy of the Annual Financial Report for the Year Ended June 30, 2001, and prepared by George C. Jackson, Certified Public Accountant; a copy of the Answer of the United States of America (dated February 27, 2003) to a Petition of Condemnation filed by the City of Whitwell against the West Valley Water System, Inc.; a copy of a report written by Bob Deal, West Valley Water System Manager, dated July 31, 2001, and entitled Evaluation of West Valley Water System - Organization Needs and Water Loss ; a copy of a preliminary engineering report prepared by Cook and Spencer Consultants, Inc., dated September 2001 and describing certain recommended system improvements; a copy of a Preliminary Application for a grant from the Appalachian Regional Commission to fund certain water system improvements (with a copy of a letter from William L. Gouger, Jr., West Valley's attorney and dated December 5, 2001); a copy of a draft of the June 26, 2002, notice from the West Valley Board to West Valley customers recommending approval of the purchase of the system by the Tennessee-American Water Company; and miscellaneous Tennessee Department of Public Health correspondence related to various water system improvements proposed by the West Valley Water System, Inc.*



## BACKGROUND INFORMATION

This valuation has been prepared at the request of the City of Whitwell, Tennessee, for the purpose of establishing the value of the water system owned by the West Valley Water System, Inc.

The valuation has been prepared by David L. Kuhlman, P.E., a registered engineer in the State of Tennessee with over 42 years of engineering experience of which about 40 years has been with emphasis on water and wastewater systems located in Tennessee and Kentucky.

The Opinion of Value contained in this report is based on the review of a number of documents made available by the City of Whitwell (see reference on preceding page), discussions with various individuals having some knowledge of the West Valley Water System, and engineering judgment based on experience in the design, construction and operation of water distribution systems similar to the West Valley Water System.

West Valley Water System, Inc., was established in 1971 and serves between 950 and 1000 customers in Marion and Sequatchie Counties. The West Valley Water System consists of about 207,000 LF (linear feet) of 6 inch, 4 inch and 2 inch water lines with two ground level water tanks capable of storing 100,000 gallons of water each, one small (10,000 gallons +/-) ground level water tank, two booster pumping stations, and two master meters. All water is purchased from the City of Whitwell through two master meters, one serving the area south of Whitwell and one serving the area north of Whitwell.

The initial system water lines were Class 160 PVC (rated for a maximum pressure of 160 pounds per square inch and made of polyvinyl chloride plastic). This material was acceptable for use in public water systems at the time the initial system was constructed. The regulatory agency having jurisdiction over materials and methods of construction of public water systems in Tennessee, the

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Department of Public Health (regulator of public water systems when the West Valley Water System was established) and its successor organization, the Department of Environment and Conservation, banned the use of Class 160 PVC water distribution pipe many years ago because it was determined to be subject to excessive breakage under use. A subsequent system improvement project replaced some of the original system lines with 6 inch ductile iron pipe. Public water systems using PVC pipe now must use Class 200 or stronger pipe.

Using a map of the West Valley Water System supplied by the City of Whitwell, the following approximate quantities of water lines were determined to be in the system. These are all "distribution lines" or "mains", and the quantities do not include service lines (from the water main to the customers meters).

<u>Line Size, Inches in Diameter</u>	<u>Linear Feet</u>	<u>Miles</u>
6	74,100	14.03
4	67,000	12.69
2	<u>65,900</u>	<u>12.48</u>
TOTAL	207,000	39.20

The 6 inch line quantity shown above contains some of the original Class 160 PVC water lines and some ductile iron lines which have replaced some of the original Class 160 PVC water lines. The 4 inch and 2 inch lines are all believed to be PVC lines.

For a number of years, the system has been plagued by excessive unaccounted-for water. This is water bought through the master meters but not sold through the customers' meters and includes water lost through leaks, water passing through customers' meters but not registered on the meter

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due to defects in the meters, water overflowing full system water tanks, and water being taken from the system by unmetered customers.

*A study by the system's manager in July of 2001 and discussed in an engineering report dated September 2001 described unaccounted-for water in the range of 60% of the amount purchased from the system's supplier, the City of Whitwell.*

Well run systems experience unaccounted-for water loss rates of up to about 15%. Losses of 60% are unexceptable and usually indicate high leakage losses, master meters out of calibration, customers' meters registering inaccurately or not registering at all, water being taken from the system without being metered, water overflowing storage facilities, or a combination of all of these factors. The study and engineering report cited above blamed most of the unaccounted-for water on leakage caused by the use of Class 160 PVC material and poor construction inspection with resulting inadequate pipe bedding in many parts of the system. Most of the remaining unaccounted-for water was attributed to inaccurate and non-registering meters.

*In the study of July 2001 the West Valley Water System manager estimated the cost of unaccounted-for water to be about \$71,400 per year.*

The Rural Utilities Service (formerly the Farmers Home Administration) of the U.S. Department of Agriculture funded the original system construction with two loans (March 26, 1971) totaling \$380,000 and a grant of an amount not to exceed \$50,000. That agency funded a system improvement project (May 9, 1994) with a loan of \$170,000 and a grant of an amount not to exceed \$170,000. As of June 27, 2003, the two loans of March 1971 had a total of \$204,475.77 still due (principal amount), and the May 1994 loan had \$148,714.26 still due (principal amount).

ASSETS OF THE SYSTEM

From a review of the Annual Financial Report for the Year Ended June 30, 2001 (the most recent annual report available), the system assets are classed as "Current Assets" and "Fixed Assets." This study will focus on the value of Fixed Assets which is the value of Utility Plant In Service less Accumulated Depreciation.

In the report of June 30, 2001, the value of the fixed assets are shown to be:

<u>Item</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 4,171	---
Equipment and Vehicles	\$ 22,040	\$ 3,392
Water Tanks, Mains and Pumps	\$858,145	\$395,135
Meters and Service	\$ 73,815	\$ 31,271
Lcaschold Improvements	\$ 1,150	\$ 518
Office Furnishings and Equipment	\$ 4,755	\$ 3,016
TOTAL	\$964,076	\$433,332

The net value of fixed assets taken from the above tabulation is \$530,744. It is based on the initial cost of the asset reduced by the accumulated depreciation. The depreciation amount has been determined by the straight line accounting method in which assets are devalued "on the books" by an equal annual amount over the assumed useful life of the asset. For the purposes of financial reporting, the above assets have been depreciated according to the useful life tabulated below as taken from the June 30, 2001, Annual Financial Report of the West Valley Water System.

<u>ITEM</u>	<u>USEFUL LIFE</u>
System Distribution	40 Years
Furnishings	10 Years
Meters and Service	40 Years
Leasehold Improvements	10 Years
Vehicles	5 Years

In the case of the West Valley Water System, most of the assets (95.25% using the depreciated book value) are in the water distribution system including water lines, tanks, booster pumping stations, master meters, service lines and customer meters.

It is important to note that the book value of an asset is based on what accountants have taken to be the normal useful life of an asset. It is not necessarily the same as that asset's actual useful life. The actual useful life (that period of time that a particular asset can be used to serve its intended purpose without abnormal maintenance cost being required to sustain its use) can be longer or shorter than the standard adopted for accounting purposes.

Other assets of the system will include the "Current Assets" which include: Cash and Cash Equivalents; Accounts Receivable; Prepaid Expenses; and Inventory. The June 30, 2001, Financial Report listed this total as \$127,470.

The June 30, 2001, Financial Report shows the value of Total Assets to be \$658,214. Slightly over two years have passed since the date of that Financial Report so the current value of assets has obviously changed. No significant water system additions are known to have occurred during that period.

LIABILITIES OF THE SYSTEM

The June 30, 2001, Financial Report lists Current Liabilities totaling \$35,153 and consisting of current maturities of long term debt along with accounts payable and accrued liabilities. Customer deposits are listed as totaling \$24,064; and long term debt is listed as totaling \$362,748.

The Balance Sheet is completed with Fund Equity made up of \$404,801 in Contributed Capital and a negative Retained Earnings (deficit) of \$168,552.

As with the water system assets, the liabilities stated above were current with the June 30, 2001 Annual Financial Report. With slightly over two years having passed since that report was issued, the system liabilities have obviously changed. The major change would most likely be in the reduction of long term debt. All known long term debt has been issued by the Rural Utilities Service of the U.S. Department of Agriculture.

The bulk of system liabilities is made up of the three loans made to the system by Rural Utilities Service of the U.S. Department of Agriculture. The June 30, 2001, Financial Report lists these as: (1) Note Payable dated March 16, 1971, in an original amount of \$233,000 (principal); (2) Note Payable dated March 16, 1971, in an original amount of \$157,000 (principal); and (3) Note Payable dated May 9, 1994, in an original amount of \$170,000 (principal). The Financial Report showed \$362,748 to be due "after one year" (\$14,036 of the total due was included in Current Liabilities on the Balance Sheet).

In the "Answer" filed by the USDA Rural Utilities Service to the City of Whitwell's Petition for Condemnation against the West Valley Water System, Inc., the RUS shows the loan dates and principal amounts to be: (1) Note Payable dated March 26, 1971, in an original amount of \$223,000 (principal); (2) Note Payable dated March 26, 1971, in an original amount of \$157,000 (principal); and (3) Note Payable dated May 9, 1994, in the original amount of \$170,000 (principal). There are some slight (probably typographical) differences between the RUS listing

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and the listing found in the Financial Report. For the purpose of this valuation study, the USDA Rural Utilities Service dates and dollar amounts will be taken as valid.

In correspondence recently received (dated June 27, 2003) by the Whitwell City Attorney from the office of the United States Attorney, Eastern District of Tennessee, the amounts due on these three loans are: (1) Note Payable March 26, 1971, (original amount of \$223,000) remaining principal balance of \$131,948.18; (2) Note Payable March 26, 1971, (original amount of \$157,000) remaining principal balance of \$72,527.59; and (3) Note Payable May 9, 1994, (original amount of \$170,000) remaining principal balance of \$148,714.26. Together with the interest due, the total amount due on all three loans on June 27, 2003, was \$354,157.68.

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FACTORS AFFECTING SYSTEM VALUE

The value of any water system can be taken as the book value of the system as shown in a financial report prepared by a certified public accountant and modified by specific conditions of the system which affect its value and can add to or subtract from the book value. The value of the West Valley Water System is affected by the outstanding debt on the system and the condition of the system.

As of the date of the most recent financial report available for this study (June 30, 2001), the book value of the system was \$658,214. This included Current Assets and Fixed Assets. The value of Fixed Assets (Utility Plant In Service less Accumulated Depreciation) was shown to be \$530,744. Of this amount, the book value of the system's water lines, pumps, storage tanks, service lines and meters was shown to be \$426,406. The amount owed in long term debt on the system's Fixed Assets was listed as \$376,784 (the sum of Notes Payable and Current Maturities of Long Term Debt).

The condition of the water system is not good. The system has been plagued with unaccounted-for water for many years, perhaps from its beginning. Reports done in 2001 by the system's manager and a consulting engineering firm state that the unaccounted-for water amounts to about 60% of the total amount purchased by the system for distribution to its customers. The bulk of the blame for this lost water has been placed on the use of thin-walled (Pressure Class 160) PVC pipe for construction of the initial system and on poor inspection procedures during the installation of those lines. Especially in the north service area, ground conditions are such that the pipe may lay on rocks or rocks may lay on the pipe which, over time, cause the pipe to crack or break with resulting leaks which may be very hard to locate.

Grant and loan applications submitted over a span of years by the West Valley Water System have emphasized high rates of leakage as justification for the system improvement projects that appear to be essentially water line replacement projects. A preliminary application for grant funding filed

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in the latter part of 2001 described the system as needing funding for the replacement of about 27,000 feet of plastic pipe which had been identified as being in an area of high water loss. The total cost of this project was estimated to be \$506,350. The 27,000 feet of line represents about 13% of the total amount of water distribution lines in the system. It is likely that much more of the system's lines need to be replaced or repaired in order to bring the overall system's unaccounted-for water to within a reasonable amount.

Another factor probably affecting the very significant amount of unaccounted-for water is the number of water meters which may be registering inaccurately or not registering at all. There are, it is believed, between 950 and 1000 meters serving the system's customers. Of these, there may be between 500 and 700 meters which need to be replaced. This is based on the use of a standard of meter servicing or replacement every 10 to 15 years or after passing 700,000 to 1,000,000 gallons of water. The cost to repair or replace one meter is estimated to be \$45. If the low number is used for bad meters, 500, the total estimated cost to repair or replace the meters is \$22,500.

OPINION OF VALUE

Considering the book value of the West Valley Water System and other factors which affect the system's value, the following opinion of value is given. The figure quoted is based on the information contained in the June 30, 2001, Annual Financial Report. The final figure should be adjusted based on the system's audited worth at the time of any transfer of ownership as modified by factors such as unusually good or bad condition of pipes, meters and other facilities. The opinion of value is based, also, on known conditions of the system and on engineering judgment.

It is estimated that the book value of the assets of the West Valley Water System as of the date of this report is \$601,000 including Current Assets and Fixed Assets. Of this amount, it is estimated that the value of Current Assets is \$126,500 and the depreciated value of Utility Plant In Service is \$474,500. Of this amount, it is estimated that the depreciated value of water lines, storage tanks, pumping stations, meters and service lines is \$459,000.

It is estimated that the value of the system's liabilities is \$413,700. Of this, \$36,500 is estimated to be Current Liabilities; and \$24,000 is estimated to be in Customer Deposits. The long term debt is estimated at \$353,200 (principal amount).

The system's estimated net book value is, then, \$187,300.

This amount must be adjusted for the unusually poor condition of the system's water lines and the probable poor condition of a large number of customer meters. Without a detailed study, there is no way to accurately estimate the footage of water lines needing repair or replacement and, consequently, the cost of that repair or replacement. There is also no accurate way to predict the number of customers' meters needing replacement.

The engineering study done in September of 2001 by Cook and Spencer Consultants, Inc., recommended the replacement of a portion of the 6 inch line on West Valley Road running from the Red Hill Pumping Station north to an existing section of 6 inch ductile iron pipe as well as the

replacement of water lines in the Cartwright Community. These improvements were expected to reduce water loss in the north portion of West Valley's system by at least one-half. The estimated cost of this project was \$506,350. West Valley's own study showed excessive loss in the south portion of the system, too. The south portion of the system contains about 54% of the system's water mains while the north portion contains about 46%. The amount of water line proposed for replacement in the September 2001 study amounted to approximately 13% of the total amount of water lines in the system. The replacement of these lines as proposed will, it is assumed, be beneficial to the system but will probably not reduce the unaccounted-for water to levels considered normal. Additional expenditures will almost certainly be required to reduce the water lost in leakage to amounts considered reasonable and affordable.

It is reasonable to estimate that at least \$600,000 will need to be spent on line replacement or repair in order to reduce leakage to reasonable levels. This figure could easily reach significantly more than this amount.

In addition, it is estimated that at least \$22,500 needs to be spent on meter repair or replacement.

*With the West Valley Water System's net book value estimated to be \$187,300 and expenditures of at least \$622,500 needed to reduce unaccounted-for water to levels which may approach 25% to 30% (still as much as twice what would be considered good for a well operated system), the system's net worth is a negative \$435,200. The amount of "negative worth" can increase substantially above this figure depending on the amount of money actually needed to reduce unaccounted-for water to reasonable and affordable amounts.*

\*\*\*

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Kevin Rogers and Dan Bickerton**

28. Please provide the City minutes discussing the acquisition, including but not limited to the purchase price, the assets to be sold, and the final vote to sell. If it is not clear in the minutes, please provide confirmation from the City that the assets on the balance sheet contain only water system assets and no wastewater system assets.

**RESPONSE:**

Please see the City minutes attached to this Response as well as the letter from the City Recorder.

# City of Whitwell

13671 Hwy 28 P.O. Box 610  
Whitwell, Tennessee 37397

Phone

423-658-5151

Fax

423-658-2397



April 3, 2013

Please provide the City minutes discussing the acquisition, including but not limited to the purchase price, the assets to be sold, and the final vote to sell. If it is not clear in the minutes, please provide confirmation from the City that the assets on the balance sheet contain only water system assets and no wastewater system assets.

I am e-mailing copies of the minutes in which Ordinance #303 authorizing the asset purchase agreement with Tennessee American Water was passed. There was no discussion on the sell price. The assets on the water system belong to the water company only. The City of Whitwell owns no wastewater assets.

Tina Green

A handwritten signature in cursive script that reads "Tina Green".

CMFO, City Recorder

**City of Whitwell  
Board of Commission Meeting  
September 6, 2012**

**Meeting called to order by Vice-Mayor Wayne Powell.**

**Invocation was given by Commissioner Rountree.**

**Pledge of Allegiance was led by Commissioner Atterton.**

**Commissioner Holland, Commissioner Rountree, Mayor Hudson, Commissioner Atterton, and Commissioner Powell were all present.**

A motion to approve the August 2<sup>nd</sup> meeting minutes was made by Commissioner Atterton and seconded by Commissioner Powell. All Commissioners voted yes. Motion carries.

**City Manager's Report was given by Charles Tucker.**

1. Crossroads Grant Status – There is \$8000.00 left in grant and the engineer is working on ways to spend the rest of the money.
2. A motion was made by Commissioner Atterton to approve the roof repair on the Coal Miners Museum, roof repair at the Library, and the electrical repairs at the park by Gary Hooper, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
3. A motion was made by Commissioner Atterton to pay Stowers invoices in the amount \$4426.77, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
4. A motion was made by Commissioner Atterton to pay invoices from the softball girls in the amount of \$ 1,155.64, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
5. A motion was made by Commissioner Atterton to allow the city recorder to set up a separate bank account for the Park and Recreation Department, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
6. A motion was made by Commissioner Holland to approve the tar & gravel for \$3350.00 of Jewel Layne Road, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.

**City Recorder's Report was given by Tina Green.**

1. The General Fund two month financial projections were presented by department. Water Works two month financial projections were presented.
2. The city received a letter from the State Comptroller about the last three audits being adverse. The city has sixty days to reply to this letter.

#### **Departmental Reports**

1. **Police Department Report was given by Rodney Easterly** – In the month of July there was 5 Accident Reports, 18 Offenses Reports, 35 City Court Cases, 5 arrested, 11 General Sessions Cases, 0 Juvenile Cases, 1 Circuit Cases and \$1050.00 was collected in fines. In the month of August there was 4 Accident Reports, 15 Offenses Reports, 32 City Court Cases, 4 arrested, 8 General Sessions Cases, 0 Juvenile Cases, 2 Circuit Cases and \$2710.00 was collected in fines.
2. **Fire Department Report – No Report**
3. **Water Department Report was given by Denny Long** – Nothing new to report except we have had a lot of leaks.
4. **Library Report was given by Linda Powell.** – The annual book sale will be the second week of September.
5. **Senior Citizen Report was given by Barbara Johnston** – For the month of July & August 726 meals was served.

#### **Committee Reports**

1. **Park Board Report** – Labor Day events were very successful.
2. **Planning Commission** – Busy working on subdivision laws and annexation.
3. **Neighborhood Clean up Report** – Property owners are still making progress on the cleanup.

#### **Legal Business**

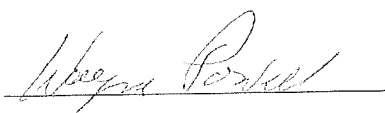
1. A motion was made by Commissioner Atterton to approve the second reading of Ordinance #298 establishing a Purchasing Policy and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
2. A motion was made by Commissioner Rountree to approve the second reading of Ordinance #299 Amending Budget Ordinance #281 and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
3. A motion was made by Commissioner Rountree to approve the second reading of Ordinance #300 establishing a Financial Control Policy and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
4. A motion was made by Commissioner Atterton to approve the second reading of Ordinance #301 adopting a Corrective Action Plan to correct and prevent the unauthorized transfer of utility revenues, and seconded by Commissioner Powell. All Commissioners voted yes. Motion carries.
5. A motion was made by Commissioner Rountree to approve the first reading of Ordinance #303 authorizing an asset purchase agreement with Tennessee American Water, and seconded by Commissioner Powell. Commissioner Rountree, yes; Mayor Hudson, yes; Commissioner Holland, no; Commissioner Atterton, yes; Vice-Mayor Powell, yes. Motion carries.
6. A motion was made by Commissioner Rountree to approve the Resolution 194 authorizing an application for fast track infrastructure development program grant fund for Bryant Enterprises, and seconded by Commissioner Powell. All commissioners voted yes. Motion carries.


**Old Business**

**New Business**

**Adjournment**

A Motion to adjourn the meeting was made by Commissioner Atterton, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.

Mayor 

Recorder 



**City of Whitwell  
Board of Commission Special Meeting  
September 20, 2012**

Meeting called to order by Vice-Mayor Powell.

Invocation was given by Commissioner Rountree.

Pledge of Allegiance was led by Commissioner Atterton.

Mayor Hudson, Commissioner Rountree, Commissioner Holland, Commissioner Atterton, and Vice-Mayor Powell were all present.

**Legal Business**

1. The Tennessee American Water Company came and gave the Board of Commissioners and water customers some information on their interest in the purchase of the water system from the City of Whitwell, and the price the company would be willing to offer for that system.
2. A motion was made by Mayor Hudson to approve the second reading of Ordinance #303 asset purchase agreement with Tennessee American Water and seconded by Commissioner Rountree. Commissioner Rountree, Mayor Hudson, and Vice-Mayor Powell voted yes. Commissioner Atterton and Commissioner Holland voted no. Motion carries.
3. A motion was made by Commissioner Rountree to approve the Park Board's recommendations for the park maintenance – Brandon Hoskins for \$9600.00 and park concessions – Chris Condra – softball girls for \$400.00 per months specified, and seconded by Vice-Mayor Powell. All Commissioners voted yes. Motion carries.

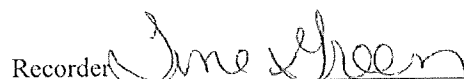
**Adjournment**

A Motion to adjourn the meeting was made by Commissioner Powell. All Commissioners voted yes. Motion carries.

Mayor



Recorder



**City of Whitwell  
Board of Commission Meeting  
October 4, 2012**

**Meeting called to order by Vice-Mayor Wayne Powell.**

**Invocation was given by Commissioner Rountree.**

**Pledge of Allegiance was led by Commissioner Atterton.**

**Commissioner Holland, Commissioner Rountree, Mayor Hudson, Commissioner Atterton, and Commissioner Powell were all present.**

A motion to approve the September 6<sup>th</sup> and September 20<sup>th</sup> meeting minutes was made by Commissioner Atterton and seconded by Commissioner Powell. All Commissioners voted yes. Motion carries.

**City Manager's Report was given by Charles Tucker.**

1. Crossroads Grant Status – A motion was made by Commissioner Rountree to replace 6 meters in Crossroads that would make the project \$1700.00 over budget, and seconded by Vice-Mayor Powell. All Commissions voted yes. Motion carries.
2. A motion was made by Commissioner Rountree to approve the withdrawal of a State Street Aid CD with a maturity date of 10/15/12 in the amount of \$ 20862.43 in order to pay for paving done by the county, and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.

**City Recorder's Report was given by Tina Green.**

1. The General Fund three month financial projections were presented by department. Water Works the three month financial projections were presented.

**Departmental Reports**

1. **Police Department Report was given by Rodney Easterly** – In the month of September there was 6 Accident Reports, 8 Offenses Reports, 47 City Court Cases, 4 arrested, 6 General Sessions Cases, 1 Juvenile Cases, 1 Circuit Cases and \$2625.10 was collected in fines.
2. **Fire Department Report – No Report**
3. **Water Department Report was given by Denny Long** – A report was given on our tank maintenance plan.
4. **Library Report was given by Linda Powell.** – Library annual BBQ/Hot Dog Supper and Cake Walk will be October 6 at 5:00P.M.

	July	August
Material circulation	1669	1428
In-house circulation	293	262
Reference Transaction		
InterLibrary Loans:		
Lender	20	4
Borrower	24	14
Reads	46	41
Computer Users	303	387
Computer Assists	33	37
Program/Events	1	0
Attendance	1556	1075
Genealogy Researchers		
New Patron Cards	14	20

**5. Senior Citizen Report was given by Barbara Johnston –No Report**

**Committee Reports**

- 1. Park Board Report** – Working on getting the Park Benchmarking Plan together.
- 2. Planning Commission** – Busy working on subdivision laws and annexation.
- 3. Neighborhood Clean up Report** – Property owners are still making progress on the cleanup.

**Legal Business**

- A motion was made by Commissioner Atterton to approve the third reading of Ordinance #298 establishing a Purchasing Policy and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
- A motion was made by Commissioner Rountree to approve the third reading of Ordinance #299 Amending Budget Ordinance #281 and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
- A motion was made by Commissioner Rountree to approve the third reading of Ordinance #300 establishing a Financial Control Policy and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
- A motion was made by Commissioner Rountree to approve the third reading of Ordinance #301 adopting a Corrective Action Plan to correct and prevent the unauthorized transfer of utility revenues, and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
- A motion was made by Commissioner Rountree to approve the third reading of Ordinance #303 authorizing an asset purchase agreement with Tennessee American Water, and seconded by Commissioner Powell. Commissioner Rountree, yes; Mayor Hudson, yes; Commissioner Holland, no; Commissioner Atterton, no; Vice-Mayor Powell, yes. Motion carries.

**Old Business**

**New Business**

**Adjournment**

A Motion to adjourn the meeting was made by Commissioner Powell, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.

Mayor Wayne Powell

Recorder Juno Green

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Dan Bickerton**

29. If not provided in #28 above, please explain how TAWC determined that historical cost was a fair market value? In this response, please consider the fact that the neighboring system of Suck Creek acquired by TAWC in 2003 had a fair value significantly lower than the book value. In addition, provide the names of all officers of American Water and Tennessee American Water that have signed off on using Whitwell's historical book value as a proxy for fair market value in this instance.

**RESPONSE:**

Since there is no active market in Tennessee for determining the fair value of municipal water system assets, TAWC relied on its experience with the Authority to recognize original cost of utility plant assets less depreciation and unamortized CIAC as a determination of rate base or system valuation. TAWC's determination served as a starting point to negotiate a purchase price and to enter into an agreement with the City. TAWC did not rely on the purchase price of the Suck Creek Utility District system to determine value in the Whitwell negotiations.

The names of the American Water and TAWC officers approving this transaction appear in two documents provided in the CONFIDENTIAL response to CAPD DR #7.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Dan Bickerton**

30. Per Paragraph 9 of its Petition, the parties indicate that any accumulated deferred income taxes and accumulated deferred investment tax credits will not transfer with the water system. Please provide a list of these deferred taxes and credits, their amount, whether the deferred tax or credit was a result of acquiring any of the assets to be transferred, and if pertaining to assets to be transferred, why the deferred tax or credit is not transferring with the asset. For any taxes or credits that are not transferring, please provide how this benefit that will remain with the City is reflected in the acquisition price.

**RESPONSE:**

Whitwell has no deferred taxes or credits because they are exempt from income taxation.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Dan Bickerton**

31. Has TAWC read all the grants to verify that the transfer of ownership does not trigger repayment of grants that are presently not set for repayment under Whitwell's ownership? If not, please explain how TAWC will account for any grant clawback in its books.

**RESPONSE:**

TAWC has read and reviewed all grant agreements and documents provided to date to TAWC by the City of Whitwell or the Southeast Tennessee Development District. TAWC expects to work with the City of Whitwell to obtain waivers of any grant repayments, if necessary prior to closing.

TAWC does not expect to account for any grant clawback.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Dan Bickerton**

32. In its petition, TAWC requests the TRA [sic] approval to continue charging the existing Whitwell rates. When does TAWC plan to file any type of proceeding to determine the rates for Whitwell under TAWC management?

**RESPONSE:**

TAWC provided two documents in its CONFIDENTIAL response to CAPD DR #7 that respond to this request.



**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Dan Bickerton**

33. Per Paragraph 9 of its Petition, the parties indicate that any accumulated deferred income taxes and accumulated deferred investment tax credits will not transfer with the water system. Please provide a list of these deferred taxes and credits, their amount, whether the deferred tax or credit was a result of acquiring any of the assets to be transferred, and if pertaining to assets to be transferred, why the deferred tax or credit is not transferring with the asset. For any taxes or credits that are not transferring, please provide how this benefit that will remain with the City is reflected in the acquisition price.

**RESPONSE:**

See response to D.R. #30.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Dan Bickerton**

34. Have the parties received all the necessary data and party approvals to proceed with the acquisition if the TRA approves the acquisition.

**RESPONSE:**

TAWC has obtained all approvals of the asset purchase agreement with the exception of the Tennessee Regulatory Authority and the Tennessee American Board of Directors. TAWC also needs to finalize a franchise agreement with the City of Whitwell; an easement modification for the Hardees booster station; West Valley Water Association's final dissolution notification; releases from U.S. Bank National Association, Old National Bank, Berkadia Commercial Mortgage & USDA-Rural Development (formerly United States Farmers Home Administration); and a grant reimbursement waiver from any grant agency identified subsequent to this filing.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 12-00157  
REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY**

**Responsible Witness: Dan Bickerton**

35. Please provide the final purchase price and any reconciliation to the purchase price provided in the petition.

**RESPONSE:**

TAWC cannot determine the final purchase price until a closing date can be established according to the terms of the asset purchase agreement, because the purchase price is equivalent to the calculated rate base as of the date of closing. TAWC provided two documents in its CONFIDENTIAL response to CAPD DR #7 that contemplate a closing date of January 1, 2013, with an estimated purchase price of \$1,557,603.

Respectfully submitted,

BUTLER, SNOW, O'MARA, STEVENS &  
CANNADA, PLLC

By: Junaid Odubeko  
Melvin J. Malone  
Junaid Odubeko  
The Pinnacle at Symphony Place  
150 3<sup>rd</sup> Avenue South  
Nashville, TN 37201  
(615) 503-9100 (Office Telephone)  
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[junaid.odubeko@butlersnow.com](mailto:junaid.odubeko@butlersnow.com)

Counsel for Tennessee-American Water Company

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served via hand delivery to the following this 4th day of April 2013.

Cynthia Kinzer  
Charlena Aumiller  
Consumer Advocate and Protection Division  
Office of the Attorney General  
P.O. Box 20207  
Nashville, TN 37202

Junaid Odubeko

**City of Whitwell Water System - P.W.S.I.D. No. 0000749**  
**Summary of TDEC Sanitary Surveys**

**May 9, 2001**

**Numerical Rating of 93 (APPROVED)**

**August 2 and August 7, 2002**  
**Numerical Rating of 70 (PROVISIONALLY**  
**APPROVED)**

4. Your system owns the master meter pit used to supply water to West Valley U.D. The pit is located on Hwy 28 at Hardee's. Due to poor drainage, the meter in this pit cannot be read much of the time, particularly after rain events, and poses a potential cross connection hazard due to standing water. **A proper drainage mechanism must be installed by Whitwell before October 15, 2002.**

5. Your emergency operations plan must be kept up-to-date for it to be effective in an emergency. It was noted that personnel names and phone numbers were out-dated.

6. Your 2000 Consumer Confidence Report was published in the local newspaper without first notifying your customers of the publication date. Regulation 1200-5-1-.35 required that you inform your customers prior to publication.

7. The complaint log is inadequate. It should contain the following information for each complaint that involves water quality or pressure: name of complainant, date, nature of complaint, date of investigation and action taken to correct the problem.

8. The data recorded on filter effluent turbidity charts does not properly document filter performance. The plant operator should label the chart with information such as when the plant is running, when it is not, when backwash occurs, and provide explanation for any abnormalities in the data. These turbidimeters must also be calibrated at least every 90 days.

**March 23, 2000**

**Numerical Rating of 88 (PROVISIONALLY**  
**APPROVED)**

4. The System's 1998 Consumer Confidence Report was delivered late to customers and this Division. Regulation 1200-5-1-.35 required that the Report be received no later than October 19, 1999. Keep in mind, the 1998 report is due before July 1, 2000.

5. The System should mark bacteriological sampling locations for each month on the map constructed for this purpose. This way, it is easy for Division personnel to assess the overall sampling plan during sanitary surveys.

6. Regulation 1200-5-1-.17(14) requires that all community water systems have twenty-four hours of water storage, based on average daily demand. The Whitwell Water System's average demand has surpassed water storage capabilities, so planning must begin for a new tank in the distribution system.

7. Regulation 1200-5-1-.7(33) requires that water storage tanks be inspected every five years. Three of four Whitwell tanks are past due for this professional inspection.

8. The System's flushing program is established and activities are in progress. A distributor system should be flushed at least annually, with special attention placed on dead-end and low-use water mains. Additionally, records must be kept of all activities and the ending chlorine residual recorded for dead-end lines.

**City of Whitwell Water System - P.W.S.I.D. No. 0000749**  
**Summary of TDEC Sanitary Surveys**

**August 2 and August 7, 2002**

**Numerical Rating of 70 (PROVISIONALLY  
APPROVED)**

9. Your system incurred a bacteriological monitoring violation for the month of April 2002. Five regular samples were required to be submitted to our laboratory in Knoxville. Only four valid samples were received. Public notification has been given as required.

**May 9, 2001**

**Numerical Rating of 93 (APPROVED)**

10. Regulation 1200-5-1-.17(14) requires that all community water system's have twenty-four hours of water storage, based on average daily demand. The Whitwell Water System's average demand has surpassed water storage capabilities. This is the third consecutive survey this problem has been noted. The customers of systems that do not maintain adequate storage capacity frequently experience low pressure and unforeseen water outages. The City of Whitwell must demonstrate a firm and unrevocable financial commitment toward constructing a storage tank prior to the next sanitary survey.

11. Line repair records must be kept for situations that require the main to be de-watered. These should include the procedure used to disinfect the repair (see current AWWA standard), the locations flushed (with chlorine residuals), and the bacteriological results. A certified laboratory must be used for bacteriological testing involving repairs or new lines.

12. Regulation 1200-5-1-.17(33) requires that water storage tanks be inspected every five years. No inspection report for the Crossroads tank was available during the survey.

**March 23, 2000**

**Numerical Rating of 88 (PROVISIONALLY  
APPROVED)**

9. An overall map of the distribution system must be compiled, in accordance with Regulation 1200-5-1-.17(15). The map must show locations of water mains and their sizes, valves, blow-off valves, and fire hydrants.

10. The cross connection working program is much improved, but still needs more inspections and annual testing of all existing reduced-pressure-zone devices, in accordance with Regulation 1200-5-1-.17(6).

11. The System has improved every facet of operation since the last sanitary survey. The effort put forth by the management and personnel is admirable. However, a lot remains to be done, both at the treatment plant and throughout the distributor system.

**City of Whitwell Water System - P.W.S.I.D. No. 0000749  
Summary of TDEC Sanitary Surveys**

**August 2 and August 7, 2002  
Numerical Rating of 70 (PROVISIONALLY  
APPROVED)**

**May 9, 2001  
Numerical Rating of 93 (APPROVED)**

**March 23, 2000  
Numerical Rating of 88 (PROVISIONALLY  
APPROVED)**

13. The System's flushing program is marginal. Your records indicate that fire hydrant and blow-off valves are flushed one each year. None of the locations are flushed multiple times. Every system has low-use areas where chlorine residuals tend to be reduced, particularly during warmer months. These areas must be flushed multiple times each year to keep complaints to a minimum. Also, biofilms and potentially harmful biological agents can flourish in distribution systems that are not properly flushed.

14. The cross connection working program is improved, but better follow-up is needed when the cross-connection inspector decides a backflow prevention device needs to be installed or when testing indicates repairs are needed to an existing device. Also, every existing backflow prevention device in Whitwell's service area must be tested each year.

West Valley Water System  
PO Box 897  
13810 HWY 28  
Whitwell, TN 37397

facsimile transmittal

To: COLEMAN BUSH Fax: 859-268-6327  
From: CLINTON GARNER Date: 7-17-03  
Re: CITY OF WHITWELL  
CONDEMNATION Pages: 18  
CC:

☐ Urgent ☒ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Notes:

MR. BUSH,

PLEASE REVIEW THE ATTACHED INFORMATION. IF YOU HAVE ANY QUESTIONS, PLEASE LET ME  
KNOW.

THANK YOU,

CLINTON GARNER

Angie



07-17-03 10:39am From-BAKER CHATTANOOGA

+4237563447

T-117 P.01/14 F-322

**LAW OFFICES**  
**BAKER, DONELSON, BEARMAN & CALDWELL**  
**A PROFESSIONAL CORPORATION**  
 1800 REPUBLIC CENTER • 633 CHESTNUT STREET  
**CHATTANOOGA, TENNESSEE 37450**

(+13) 756-2010

Facsimile  
 (+123) 756-3447

**FACSIMILE TRANSMISSION FORM**  
**PLEASE DELIVER IMMEDIATELY**

**DATE:** July 17, 2003 **TIME:** 10:02 AM

**DELIVER TO:** **FACSIMILE PHONE NO.:**  
 Clinton Garner (423) 658-6035

**FROM:** Misty Smith Kelley

**PHONE NO.:** (423) 209-4148

**FACSIMILE PHONE NO.** (423) 752-9549

**USER NO.:** 6179

**CLIENT/MATTER NO.:** 016031-00001

**MESSAGE:**

*Note: This facsimile contains PRIVILEGED and CONFIDENTIAL information intended only for the use of the specific individual or entity named above. If you or your employer are not the intended recipient, you are hereby notified that any unauthorized dissemination or copying of this facsimile or the information contained in it is strictly prohibited. If you have received this facsimile in error, please immediately notify the person named above at once by telephone and return the original facsimile to us at the above address via the U.S. Postal Service. Thank you.*

Page 1 of 1

C MSK 267312 v1  
 016031-00001 06/17/2003

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T-117 P.02/14 F-322

**Austin, Davis & Mitchell**  
Attorneys at Law  
116 East Cherry Street • P.O. Box 666  
Dunlap, Tennessee 37327-0666

L. THOMAS AUSTIN  
M. KEITH DAVIS  
JENNIFER AUSTIN MITCHELL

Telephone (423) 849-4159  
Facsimile (423) 849-4588  
e-mail austinlaw@bldsoe.net

July 14, 2003

Via hand delivery

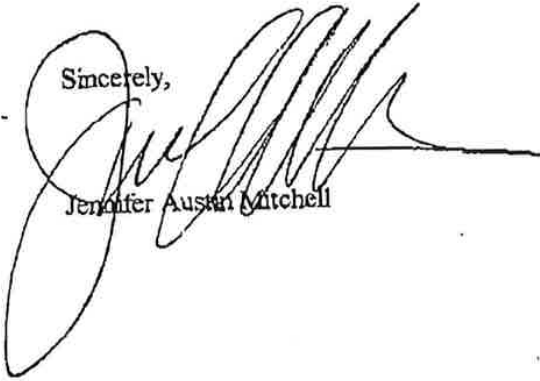
Hon. Thomas W. Graham  
Circuit Judge  
P.O. Box 993  
Jasper, TN 37347

RE: City of Whitwell, Tennessee v. West Valley Water System, Inc., et al.  
Marion County Circuit Court, Docket No. 15015

Dear Judge Graham:

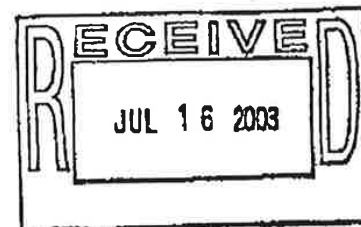
At the summary judgment hearing on June 18, 2003, you advised that the City of Whitwell needed to obtain an appraisal of the West Valley Water System within thirty (30) days. Please find enclosed the appraisal that I have received from Water Management Services, LLC. This is being filed as a late filed exhibit to the City of Whitwell's Response to West Valley's Summary Judgment Motion.

Sincerely,

  
Jennifer Austin Mitchell

Enclosures

cc: Joe Connor  
Chris Morrison



07-17-03 10:33am From-BAKER CHATTANOOGA

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T-117 P.03/14 F-322

**IN THE TWELFTH JUDICIAL DISTRICT OF TENNESSEE**  
**CIRCUIT COURT OF MARION COUNTY**

CITY OF WHITWELL, TENNESSEE

Petitioner,

vs.

NO. 15015

WEST VALLEY WATER SYSTEMS, INC.,  
and DAVID SEIVERS, TRUSTEE FOR THE  
FARMERS HOME ADMINISTRATION,  
UNITED STATES DEPARTMENT OF  
AGRICULTURE,

JURY DEMAND

Respondents.

---

**NOTICE OF LATE FILED EXHIBIT TO THE CITY OF WHITWELL,  
TENNESSEE'S RESPONSE  
TO WEST VALLEY WATER SYSTEM INC.'S MOTION FOR  
SUMMARY JUDGMENT**

---

COMES now the City of Whitwell, by and through its attorney, and submits the Water  
System Valuation attached hereto as Exhibit A, as an exhibit to its Response to West Valley  
Water System's Motion for Summary Judgment.

Respectfully submitted,

By: 

JENNIFER AUSTIN MITCHELL  
Attorney for Plaintiff  
BPR 20501  
P. O. Box 666  
Dunlap, TN 37327  
(423) 949-4159

07-17-03 10:33am From-BAKER CHATTANOOGA

+4237563447

T-117 P.04/14 F-822

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and exact copy of this pleading has been served upon the opposing party, or counsel for all parties at interest in this cause by delivering a true and exact copy of said pleading to the office of said counsel or by placing a true and exact copy of said pleading in the U.S. Mail addressed to the opposing party or said counsel at office, with sufficient postage thereupon to carry the same to its destination.

Mr. Joe Conner, Esq.  
Ms. Misty Kelley, Esq.  
Baker, Donelson, Bearman & Caldwell  
1800 Republic Centre  
633 Chestnut Street  
Chattanooga, TN 37450-1800

This 15<sup>th</sup> Day of July, 2003

By: 

Jennifer Austin Mitchell

07-17-03 10:33am From-BAKER CHATTANOOGA

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T-117 P.05/14 F-322

WATER SYSTEM VALUATION  
WEST VALLEY WATER SYSTEM, INC.

July 9, 2003

Prepared By

Water Management Services, LLC  
Professional Engineers

111 Bush Road  
Nashville, Tennessee 37217

David L. Kuhlman, P.E.  
615-366-6088



WMS #03148

*This valuation of the West Valley Water System has been completed at the request of the City of Whitwell, Tennessee. The valuation is based on information available to Water Management Services as of July 3, 2003, and includes: a map of the water system; a copy of the Annual Financial Report for the Year Ended June 30, 2001, and prepared by George C. Jackson, Certified Public Accountant; a copy of the Answer of the United States of America (dated February 27, 2003) to a Petition of Condemnation filed by the City of Whitwell against the West Valley Water System, Inc.; a copy of a report written by Bob Deal, West Valley Water System Manager, dated July 31, 2001, and entitled Evaluation of West Valley Water System - Organization Needs and Water Loss; a copy of a preliminary engineering report prepared by Cook and Spencer Consultants, Inc., dated September 2001 and describing certain recommended system improvements; a copy of a Preliminary Application for a grant from the Appalachian Regional Commission to fund certain water system improvements (with a copy of a letter from William L. Gouger, Jr., West Valley's attorney and dated December 5, 2001); a copy of a draft of the June 26, 2002, notice from the West Valley Board to West Valley customers recommending approval of the purchase of the system by the Tennessee-American Water Company; and miscellaneous Tennessee Department of Public Health correspondence related to various water system improvements proposed by the West Valley Water System, Inc.*

### BACKGROUND INFORMATION

This valuation has been prepared at the request of the City of Whitwell, Tennessee, for the purpose of establishing the value of the water system owned by the West Valley Water System, Inc.

The valuation has been prepared by David L. Kuhlman, P.E., a registered engineer in the State of Tennessee with over 42 years of engineering experience of which about 40 years has been with emphasis on water and wastewater systems located in Tennessee and Kentucky.

The Opinion of Value contained in this report is based on the review of a number of documents made available by the City of Whitwell (see reference on preceding page), discussions with various individuals having some knowledge of the West Valley Water System, and engineering judgment based on experience in the design, construction and operation of water distribution systems similar to the West Valley Water System.

West Valley Water System, Inc., was established in 1971 and serves between 950 and 1000 customers in Marion and Sequatchie Counties. The West Valley Water System consists of about 207,000 LF (linear feet) of 6 inch, 4 inch and 2 inch water lines with two ground level water tanks capable of storing 100,000 gallons of water each, one small (10,000 gallons +/-) ground level water tank, two booster pumping stations, and two master meters. All water is purchased from the City of Whitwell through two master meters, one serving the area south of Whitwell and one serving the area north of Whitwell.

The initial system water lines were Class 160 PVC (rated for a maximum pressure of 160 pounds per square inch and made of polyvinyl chloride plastic). This material was acceptable for use in public water systems at the time the initial system was constructed. The regulatory agency having jurisdiction over materials and methods of construction of public water systems in Tennessee, the

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Department of Public Health (regulator of public water systems when the West Valley Water System was established) and its successor organization, the Department of Environment and Conservation, banned the use of Class 160 PVC water distribution pipe many years ago because it was determined to be subject to excessive breakage under use. A subsequent system improvement project replaced some of the original system lines with 6 inch ductile iron pipe. Public water systems using PVC pipe now must use Class 200 or stronger pipe.

Using a map of the West Valley Water System supplied by the City of Whitwell, the following approximate quantities of water lines were determined to be in the system. These are all "distribution lines" or "mains", and the quantities do not include service lines (from the water main to the customers meters).

<u>Line Size, Inches in Diameter</u>	<u>Linear Feet</u>	<u>Miles</u>
6	74,100	14.03
4	67,000	12.69
2	<u>65,900</u>	<u>12.48</u>
TOTAL	207,000	39.20

The 6 inch line quantity shown above contains some of the original Class 160 PVC water lines and some ductile iron lines which have replaced some of the original Class 160 PVC water lines. The 4 inch and 2 inch lines are all believed to be PVC lines.

For a number of years, the system has been plagued by excessive unaccounted-for water. This is water bought through the master meters but not sold through the customers' meters and includes water lost through leaks, water passing through customers' meters but not registered on the meter



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due to defects in the meters, water overflowing full system water tanks, and water being taken from the system by unmetered customers.

*A study by the system's manager in July of 2001 and discussed in an engineering report dated September 2001 described unaccounted-for water in the range of 60% of the amount purchased from the system's supplier, the City of Whitwell.*

Well run systems experience unaccounted-for water loss rates of up to about 15%. Losses of 60% are unexceptable and usually indicate high leakage losses, master meters out of calibration, customers' meters registering inaccurately or not registering at all, water being taken from the system without being metered, water overflowing storage facilities, or a combination of all of these factors. The study and engineering report cited above blamed most of the unaccounted-for water on leakage caused by the use of Class 160 PVC material and poor construction inspection with resulting inadequate pipe bedding in many parts of the system. Most of the remaining unaccounted-for water was attributed to inaccurate and non-registering meters.

*In the study of July 2001 the West Valley Water System manager estimated the cost of unaccounted-for water to be about \$71,400 per year.*

The Rural Utilities Service (formerly the Farmers Home Administration) of the U.S. Department of Agriculture funded the original system construction with two loans (March 26, 1971) totaling \$380,000 and a grant of an amount not to exceed \$50,000. That agency funded a system improvement project (May 9, 1994) with a loan of \$170,000 and a grant of an amount not to exceed \$170,000. As of June 27, 2003, the two loans of March 1971 had a total of \$204,475.77 still due (principal amount), and the May 1994 loan had \$148,714.26 still due (principal amount).

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ASSETS OF THE SYSTEM

From a review of the Annual Financial Report for the Year Ended June 30, 2001 (the most recent annual report available), the system assets are classed as "Current Assets" and "Fixed Assets." This study will focus on the value of Fixed Assets which is the value of Utility Plant In Service less Accumulated Depreciation.

In the report of June 30, 2001, the value of the fixed assets are shown to be:

<u>Item</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 4,171	---
Equipment and Vehicles	\$ 22,040	\$ 3,392
Water Tanks, Mains and Pumps	\$858,145	\$395,135
Meters and Service	\$ 73,815	\$ 31,271
Lcasehold Improvements	\$ 1,150	\$ 518
Office Furnishings and Equipment	<u>\$ 4,755</u>	<u>\$ 3,016</u>
TOTAL	\$964,076	\$433,332

The net value of fixed assets taken from the above tabulation is \$530,744. It is based on the initial cost of the asset reduced by the accumulated depreciation. The depreciation amount has been determined by the straight line accounting method in which assets are devalued "on the books" by an equal annual amount over the assumed useful life of the asset. For the purposes of financial reporting, the above assets have been depreciated according to the useful life tabulated below as taken from the June 30, 2001, Annual Financial Report of the West Valley Water System.

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<u>ITEM</u>	<u>USEFUL LIFE</u>
System Distribution	40 Years
Furnishings	10 Years
Meters and Service	40 Years
Leasehold Improvements	10 Years
Vehicles	5 Years

In the case of the West Valley Water System, most of the assets (95.25% using the depreciated book value) are in the water distribution system including water lines, tanks, booster pumping stations, master meters, service lines and customer meters.

It is important to note that the book value of an asset is based on what accountants have taken to be the normal useful life of an asset. It is not necessarily the same as that asset's actual useful life. The actual useful life (that period of time that a particular asset can be used to serve its intended purpose without abnormal maintenance cost being required to sustain its use) can be longer or shorter than the standard adopted for accounting purposes.

Other assets of the system will include the "Current Assets" which include: Cash and Cash Equivalents; Accounts Receivable; Prepaid Expenses; and Inventory. The June 30, 2001, Financial Report listed this total as \$127,470.

The June 30, 2001, Financial Report shows the value of Total Assets to be \$658,214. Slightly over two years have passed since the date of that Financial Report so the current value of assets has obviously changed. No significant water system additions are known to have occurred during that period.

LIABILITIES OF THE SYSTEM

The June 30, 2001, Financial Report lists Current Liabilities totaling \$35,153 and consisting of current maturities of long term debt along with accounts payable and accrued liabilities. Customer deposits are listed as totaling \$24,064; and long term debt is listed as totaling \$362,748.

The Balance Sheet is completed with Fund Equity made up of \$404,801 in Contributed Capital and a negative Retained Earnings (deficit) of \$168,552.

As with the water system assets, the liabilities stated above were current with the June 30, 2001 Annual Financial Report. With slightly over two years having passed since that report was issued, the system liabilities have obviously changed. The major change would most likely be in the reduction of long term debt. All known long term debt has been issued by the Rural Utilities Service of the U.S. Department of Agriculture.

The bulk of system liabilities is made up of the three loans made to the system by Rural Utilities Service of the U.S. Department of Agriculture. The June 30, 2001, Financial Report lists these as: (1) Note Payable dated March 16, 1971, in an original amount of \$233,000 (principal); (2) Note Payable dated March 16, 1971, in an original amount of \$157,000 (principal); and (3) Note Payable dated May 9, 1994, in an original amount of \$170,000 (principal). The Financial Report showed \$362,748 to be due "after one year" (\$14,036 of the total due was included in Current Liabilities on the Balance Sheet).

In the "Answer" filed by the USDA Rural Utilities Service to the City of Whitwell's Petition for Condemnation against the West Valley Water System, Inc., the RUS shows the loan dates and principal amounts to be: (1) Note Payable dated March 26, 1971, in an original amount of \$223,000 (principal); (2) Note Payable dated March 26, 1971, in an original amount of \$157,000 (principal); and (3) Note Payable dated May 9, 1994, in the original amount of \$170,000 (principal). There are some slight (probably typographical) differences between the RUS listing

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and the listing found in the Financial Report. For the purpose of this valuation study, the USDA Rural Utilities Service dates and dollar amounts will be taken as valid.

In correspondence recently received (dated June 27, 2003) by the Whitwell City Attorney from the office of the United States Attorney, Eastern District of Tennessee, the amounts due on these three loans are: (1) Note Payable March 26, 1971, (original amount of \$223,000) remaining principal balance of \$131,948.18; (2) Note Payable March 26, 1971, (original amount of \$157,000) remaining principal balance of \$72,527.59; and (3) Note Payable May 9, 1994, (original amount of \$170,000) remaining principal balance of \$148,714.26. Together with the interest due, the total amount due on all three loans on June 27, 2003, was \$354,157.68.

### FACTORS AFFECTING SYSTEM VALUE

The value of any water system can be taken as the book value of the system as shown in a financial report prepared by a certified public accountant and modified by specific conditions of the system which affect its value and can add to or subtract from the book value. The value of the West Valley Water System is affected by the outstanding debt on the system and the condition of the system.

As of the date of the most recent financial report available for this study (June 30, 2001), the book value of the system was \$658,214. This included Current Assets and Fixed Assets. The value of Fixed Assets (Utility Plant In Service less Accumulated Depreciation) was shown to be \$530,744. Of this amount, the book value of the system's water lines, pumps, storage tanks, service lines and meters was shown to be \$426,406. The amount owed in long term debt on the system's Fixed Assets was listed as \$376,784 (the sum of Notes Payable and Current Maturities of Long Term Debt).

The condition of the water system is not good. The system has been plagued with unaccounted-for water for many years, perhaps from its beginning. Reports done in 2001 by the system's manager and a consulting engineering firm state that the unaccounted-for water amounts to about 60% of the total amount purchased by the system for distribution to its customers. The bulk of the blame for this lost water has been placed on the use of thin-walled (Pressure Class 160) PVC pipe for construction of the initial system and on poor inspection procedures during the installation of those lines. Especially in the north service area, ground conditions are such that the pipe may lay on rocks or rocks may lay on the pipe which, over time, cause the pipe to crack or break with resulting leaks which may be very hard to locate.

Grant and loan applications submitted over a span of years by the West Valley Water System have emphasized high rates of leakage as justification for the system improvement projects that appear to be essentially water line replacement projects. A preliminary application for grant funding filed

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T-118 P. 02/02 F-323

in the latter part of 2001 described the system as needing funding for the replacement of about 27,000 feet of plastic pipe which had been identified as being in an area of high water loss. The total cost of this project was estimated to be \$506,350. The 27,000 feet of line represents about 13% of the total amount of water distribution lines in the system. It is likely that much more of the system's lines need to be replaced or repaired in order to bring the overall system's unaccounted-for water to within a reasonable amount.

Another factor probably affecting the very significant amount of unaccounted-for water is the number of water meters which may be registering inaccurately or not registering at all. There are, it is believed, between 950 and 1000 meters serving the system's customers. Of these, there may be between 500 and 700 meters which need to be replaced. This is based on the use of a standard of meter servicing or replacement every 10 to 15 years or after passing 700,000 to 1,000,000 gallons of water. The cost to repair or replace one meter is estimated to be \$45. If the low number is used for bad meters, 500, the total estimated cost to repair or replace the meters is \$22,500.

### OPINION OF VALUE

Considering the book value of the West Valley Water System and other factors which affect the system's value, the following opinion of value is given. The figure quoted is based on the information contained in the June 30, 2001, Annual Financial Report. The final figure should be adjusted based on the system's audited worth at the time of any transfer of ownership as modified by factors such as unusually good or bad condition of pipes, meters and other facilities. The opinion of value is based, also, on known conditions of the system and on engineering judgment.

It is estimated that the book value of the assets of the West Valley Water System as of the date of this report is \$601,000 including Current Assets and Fixed Assets. Of this amount, it is estimated that the value of Current Assets is \$126,500 and the depreciated value of Utility Plant In Service is \$474,500. Of this amount, it is estimated that the depreciated value of water lines, storage tanks, pumping stations, meters and service lines is \$459,000.

It is estimated that the value of the system's liabilities is \$413,700. Of this, \$36,500 is estimated to be Current Liabilities; and \$24,000 is estimated to be in Customer Deposits. The long term debt is estimated at \$353,200 (principal amount).

The system's estimated net book value is, then, \$187,300.

This amount must be adjusted for the unusually poor condition of the system's water lines and the probable poor condition of a large number of customer meters. Without a detailed study, there is no way to accurately estimate the footage of water lines needing repair or replacement and, consequently, the cost of that repair or replacement. There is also no accurate way to predict the number of customers' meters needing replacement.

The engineering study done in September of 2001 by Cook and Spencer Consultants, Inc., recommended the replacement of a portion of the 6 inch line on West Valley Road running from the Red Hill Pumping Station north to an existing section of 6 inch ductile iron pipe as well as the



07-17-03 11:03am From-BAKER CHATTANOOGA

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replacement of water lines in the Cartwright Community. These improvements were expected to reduce water loss in the north portion of West Valley's system by at least one-half. The estimated cost of this project was \$506,350. West Valley's own study showed excessive loss in the south portion of the system, too. The south portion of the system contains about 54% of the system's water mains while the north portion contains about 46%. The amount of water line proposed for replacement in the September 2001 study amounted to approximately 13% of the total amount of water lines in the system. The replacement of these lines as proposed will, it is assumed, be beneficial to the system but will probably not reduce the unaccounted-for water to levels considered normal. Additional expenditures will almost certainly be required to reduce the water lost in leakage to amounts considered reasonable and affordable.

It is reasonable to estimate that at least \$600,000 will need to be spent on line replacement or repair in order to reduce leakage to reasonable levels. This figure could easily reach significantly more than this amount.

In addition, it is estimated that at least \$22,500 needs to be spent on meter repair or replacement.

*With the West Valley Water System's net book value estimated to be \$187,300 and expenditures of at least \$622,500 needed to reduce unaccounted-for water to levels which may approach 25% to 30% (still as much as twice what would be considered good for a well operated system), the system's net worth is a negative \$435,200. The amount of "negative worth" can increase substantially above this figure depending on the amount of money actually needed to reduce unaccounted-for water to reasonable and affordable amounts.*

\*\*\*

# City of Whitwell

13671 Hwy 28 P.O. Box 610  
Whitwell, Tennessee 37397

Phone

423-658-5151

Fax

423-658-2397



April 3, 2013

Please provide the City minutes discussing the acquisition, including but not limited to the purchase price, the assets to be sold, and the final vote to sell. If it is not clear in the minutes, please provide confirmation from the City that the assets on the balance sheet contain only water system assets and no wastewater system assets.

I am e-mailing copies of the minutes in which Ordinance #303 authorizing the asset purchase agreement with Tennessee American Water was passed. There was no discussion on the sell price. The assets on the water system belong to the water company only. The City of Whitwell owns no wastewater assets.

Tina Green

A handwritten signature in cursive script that reads "Tina Green".

CMFO, City Recorder

**City of Whitwell  
Board of Commission Meeting  
September 6, 2012**

**Meeting called to order by Vice-Mayor Wayne Powell.**

**Invocation was given by Commissioner Rountree.**

**Pledge of Allegiance was led by Commissioner Atterton.**

**Commissioner Holland, Commissioner Rountree, Mayor Hudson, Commissioner Atterton, and Commissioner Powell were all present.**

A motion to approve the August 2<sup>nd</sup> meeting minutes was made by Commissioner Atterton and seconded by Commissioner Powell. All Commissioners voted yes. Motion carries.

**City Manager's Report was given by Charles Tucker.**

1. Crossroads Grant Status – There is \$8000.00 left in grant and the engineer is working on ways to spend the rest of the money.
2. A motion was made by Commissioner Atterton to approve the roof repair on the Coal Miners Museum, roof repair at the Library, and the electrical repairs at the park by Gary Hooper, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
3. A motion was made by Commissioner Atterton to pay Stowers invoices in the amount \$4426.77, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
4. A motion was made by Commissioner Atterton to pay invoices from the softball girls in the amount of \$ 1,155.64, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
5. A motion was made by Commissioner Atterton to allow the city recorder to set up a separate bank account for the Park and Recreation Department, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
6. A motion was made by Commissioner Holland to approve the tar & gravel for \$3350.00 of Jewel Layne Road, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.

**City Recorder's Report was given by Tina Green.**

1. The General Fund two month financial projections were presented by department. Water Works two month financial projections were presented.
2. The city received a letter from the State Comptroller about the last three audits being adverse. The city has sixty days to reply to this letter.

### **Departmental Reports**

1. **Police Department Report was given by Rodney Easterly** – In the month of July there was 5 Accident Reports, 18 Offenses Reports, 35 City Court Cases, 5 arrested, 11 General Sessions Cases, 0 Juvenile Cases, 1 Circuit Cases and \$1050.00 was collected in fines. In the month of August there was 4 Accident Reports, 15 Offenses Reports, 32 City Court Cases, 4 arrested, 8 General Sessions Cases, 0 Juvenile Cases, 2 Circuit Cases and \$2710.00 was collected in fines.
2. **Fire Department Report – No Report**
3. **Water Department Report was given by Denny Long** – Nothing new to report except we have had a lot of leaks.
4. **Library Report was given by Linda Powell** – The annual book sale will be the second week of September.
5. **Senior Citizen Report was given by Barbara Johnston** – For the month of July & August 726 meals was served.

### **Committee Reports**

1. **Park Board Report** – Labor Day events were very successful.
2. **Planning Commission** – Busy working on subdivision laws and annexation.
3. **Neighborhood Clean up Report** – Property owners are still making progress on the cleanup.

### **Legal Business**

1. A motion was made by Commissioner Atterton to approve the second reading of Ordinance #298 establishing a Purchasing Policy and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
2. A motion was made by Commissioner Rountree to approve the second reading of Ordinance #299 Amending Budget Ordinance #281 and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
3. A motion was made by Commissioner Rountree to approve the second reading of Ordinance #300 establishing a Financial Control Policy and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
4. A motion was made by Commissioner Atterton to approve the second reading of Ordinance #301 adopting a Corrective Action Plan to correct and prevent the unauthorized transfer of utility revenues, and seconded by Commissioner Powell. All Commissioners voted yes. Motion carries.
5. A motion was made by Commissioner Rountree to approve the first reading of Ordinance #303 authorizing an asset purchase agreement with Tennessee American Water, and seconded by Commissioner Powell. Commissioner Rountree, yes; Mayor Hudson, yes; Commissioner Holland, no; Commissioner Atterton, yes; Vice-Mayor Powell, yes. Motion carries.
6. A motion was made by Commissioner Rountree to approve the Resolution 194 authorizing an application for fast track infrastructure development program grant fund for Bryant Enterprises, and seconded by Commissioner Powell. All commissioners voted yes. Motion carries.

**Old Business**

**New Business**

**Adjournment**

A Motion to adjourn the meeting was made by Commissioner Atterton, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.

Mayor Wesley Porter Recorder Jane Groom



**City of Whitwell  
Board of Commission Special Meeting  
September 20, 2012**

**Meeting called to order by Vice-Mayor Powell.**

**Invocation was given by Commissioner Rountree.**

**Pledge of Allegiance was led by Commissioner Atterton.**

**Mayor Hudson, Commissioner Rountree, Commissioner Holland, Commissioner Atterton, and Vice-Mayor Powell were all present.**

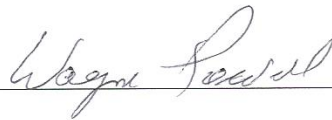
**Legal Business**

1. The Tennessee American Water Company came and gave the Board of Commissioners and water customers some information on their interest in the purchase of the water system from the City of Whitwell, and the price the company would be willing to offer for that system.
2. A motion was made by Mayor Hudson to approve the second reading of Ordinance #303 asset purchase agreement with Tennessee American Water and seconded by Commissioner Rountree. Commissioner Rountree, Mayor Hudson, and Vice-Mayor Powell voted yes. Commissioner Atterton and Commissioner Holland voted no. Motion carries.
3. A motion was made by Commissioner Rountree to approve the Park Board's recommendations for the park maintenance – Brandon Hoskins for \$9600.00 and park concessions – Chris Condra – softball girls for \$400.00 per months specified, and seconded by Vice-Mayor Powell. All Commissioners voted yes. Motion carries.

**Adjournment**

A Motion to adjourn the meeting was made by Commissioner Powell. All Commissioners voted yes. Motion carries.

Mayor



Recorder



**City of Whitwell  
Board of Commission Meeting  
October 4, 2012**

**Meeting called to order by Vice-Mayor Wayne Powell.**

**Invocation was given by Commissioner Rountree.**

**Pledge of Allegiance was led by Commissioner Atterton.**

**Commissioner Holland, Commissioner Rountree, Mayor Hudson, Commissioner Atterton, and Commissioner Powell were all present.**

A motion to approve the September 6<sup>th</sup> and September 20<sup>th</sup> meeting minutes was made by Commissioner Atterton and seconded by Commissioner Powell. All Commissioners voted yes. Motion carries.

**City Manager's Report was given by Charles Tucker.**

1. Crossroads Grant Status – A motion was made by Commissioner Rountree to replace 6 meters in Crossroads that would make the project \$1700.00 over budget, and seconded by Vice-Mayor Powell. All Commissions voted yes. Motion carries.
2. A motion was made by Commissioner Rountree to approve the withdrawal of a State Street Aid CD with a maturity date of 10/15/12 in the amount of \$ 20862.43 in order to pay for paving done by the county, and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.

**City Recorder's Report was given by Tina Green.**

1. The General Fund three month financial projections were presented by department. Water Works the three month financial projections were presented.

**Departmental Reports**

1. **Police Department Report was given by Rodney Easterly** – In the month of September there was 6 Accident Reports, 8 Offenses Reports, 47 City Court Cases, 4 arrested, 6 General Sessions Cases, 1 Juvenile Cases, 1 Circuit Cases and \$2625.10 was collected in fines.
2. **Fire Department Report – No Report**
3. **Water Department Report was given by Denny Long** – A report was given on our tank maintenance plan.
4. **Library Report was given by Linda Powell.** – Library annual BBQ/Hot Dog Supper and Cake Walk will be October 6 at 5:00P.M.

	July	August
Material circulation	1669	1428
In-house circulation	293	262
Reference Transaction		
InterLibrary Loans:		
Lender	20	4
Borrower	24	14
Reads	46	41
Computer Users	303	387
Computer Assists	33	37
Program/Events	1	0
Attendance	1556	1075
Genealogy Researchers		
New Patron Cards	14	20

**5. Senior Citizen Report was given by Barbara Johnston –No Report**

**Committee Reports**

- 1. Park Board Report** – Working on getting the Park Benchmarking Plan together.
- 2. Planning Commission** – Busy working on subdivision laws and annexation.
- 3. Neighborhood Clean up Report** – Property owners are still making progress on the cleanup.

**Legal Business**

- 1.** A motion was made by Commissioner Atterton to approve the third reading of Ordinance #298 establishing a Purchasing Policy and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.
- 2.** A motion was made by Commissioner Rountree to approve the third reading of Ordinance #299 Amending Budget Ordinance #281 and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
- 3.** A motion was made by Commissioner Rountree to approve the third reading of Ordinance #300 establishing a Financial Control Policy and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
- 4.** A motion was made by Commissioner Rountree to approve the third reading of Ordinance #301 adopting a Corrective Action Plan to correct and prevent the unauthorized transfer of utility revenues, and seconded by Commissioner Atterton. All Commissioners voted yes. Motion carries.
- 5.** A motion was made by Commissioner Rountree to approve the third reading of Ordinance #303 authorizing an asset purchase agreement with Tennessee American Water, and seconded by Commissioner Powell. Commissioner Rountree, yes; Mayor Hudson, yes; Commissioner Holland, no; Commissioner Atterton, no; Vice-Mayor Powell, yes. Motion carries.



**Old Business**

**New Business**

**Adjournment**

A Motion to adjourn the meeting was made by Commissioner Powell, and seconded by Commissioner Rountree. All Commissioners voted yes. Motion carries.

Mayor

Wayne Powell

Recorder

Juno Green