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Bradley

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T.R.A. DOCKET ROOM

June 2, 2016

Chairman Herbert H. Hillard
c/o Sharla Dillion
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: In Re: Cartwright Creek, LLC, Request to Utilize Alternative Financial Security Pursuant to Tenn.
Comp. R. & Regs. 1220-4-13-.07(5)
Docket No. 14-00034

AND

Cartwright Creek, LLC, Request to Utilize Alternative Financial Security Pursuant to Tenn. Comp.
R. & Regs. 1220-4-13-.07(5) (2015)
Docket No. 15-00052

Dear Chairman Hillard:

Attached for filing is the pre-filed testimony of Bruce Meyer and accompanying exhibit.*

Attached also for filing is information to update Cartwright Creek's response to Question 8 in the Final Order issued in Docket 14-00034. In the utility's initial response, filed last year, the utility reported that it had not yet received TDEC approval of the utility's Sewer Overflow Response Plan ("SORP") or its Corrective Action Plan ("CAP") filed February 17, 2015. Since Cartwright Creek prepared and filed its response, TDEC has approved both the SORP and the CAP. Copies of the approvals are attached.

Nothing else has changed. TDEC has still not approved the utility's Nutrient Management Plan, nor has it received a request to participate in the Supplemental Environmental Project ("SEP") or the Stakeholders Group.

Sincerely,

BRADLEY

By:


Henry Walker

HW/dbi

* Exhibit 1, attached to Mr. Meyer's affidavit is a copy of the utility's responses to eleven questions asked by the Authority in the agency's Final Order in Docket 14-00034. Exhibit 1 does not include the 110 pages of exhibits to those responses. Those exhibits may be found in Docket 15-00052 and are attached to the "Petition for Alternative Financial Security" filed May 1, 2015.

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TESTIMONY OF BRUCE MEYER

Q. Please state your name and occupation.

A. My name is Bruce Meyer. I am an employee of Sheaffer Wastewater Solutions and serve as Operations Manager for Cartwright Creek, LLC.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the request of Cartwright Creek, LLC to utilize alternative financial security pursuant to Rule 1220-4-13-.07(5)

Q. How does Cartwright Creek propose to comply with the financial security requirement?

A. Cartwright Creek has filed a surety bond in the amount of \$50,000 payable to the State of Tennessee, effective May 1, 2016.

Q. How was the amount of the bond determined?

A. The amount represents the amount of money necessary to pay the out-of-pocket operating expenses of the utility for approximately two months in the event the Authority assumes control of the utility.

Q. Has Cartwright Creek responded to the questions raised by the Authority in its Order issued January 6, 2015 in Docket 14-00034?

A. Yes. As directed by the Authority, Cartwright Creek filed that information on May 1, 2015 in Docket 14-00034 and in Docket 15-00052. A copy of those responses is attached to my testimony as Exhibit 1. I was the person responsible for preparing those responses and can attest that the information contained in that filing is true and correct. Cartwright Creek stated at that time that the utility would supplement those responses if requested and would respond to any additional data requests related to the financial security issue. There have been no such requests.

Q. Why is it necessary for Cartwright Creek to post alternative financial security?

A. As I explained in response to the TRA's questions raised in Docket 14-00034, Cartwright Creek cannot obtain a bond or letter of credit in an amount equal to the utility's annual revenue as required by Rule 1220-4-13-.07. As I described in my response to Question 1 in the Final Order issued in Docket 14-0034, I contacted a number of financial institutions and was unable to obtain a bond or letter of credit under terms that the utility can afford. Therefore, following discussions with our regulatory counsel, we determined that a bond of \$50,000 would provide sufficient security in the event the TRA has to assume control of the utility. The bond amount, along with revenues from wastewater customers, should provide sufficient revenue to operate the utility on a temporary basis. The attached exhibit includes a calculation of the utility's monthly expenses and shows that a \$50,000 bond should be more than sufficient to operate the company for two months.

Q. Is it possible that Cartwright Creek could increase the bond amount in the future?

A. At this time, the company is in the beginning stages of a Staff-assisted rate case which may result in an increase in the utility's rates. Next year after the rate case is completed

and the utility's financial situation has improved, the company may be able to increase the amount of the bond.

Q. Does this complete your testimony?

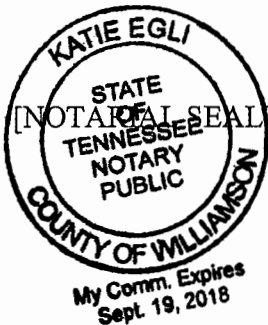
A. Yes.

Bruce Meyer
Bruce Meyer

STATE OF Tennessee)
) ss.
COUNTY OF Williamson)

I, the undersigned, a notary public in and for said county in said state, hereby certify that Bruce Meyer, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this 31 day of May, 2016.



Katie Egli
Notary Public

My commission expires: 09/19/18

If Cartwright Creek chooses to file another petition requesting an alternative financial security, the panel directed the Company to include the following information to assist in the Authority's evaluation of whether the proposed alternative security is in the public interest:

1) Information, including all supporting documentation, related to the actions taken by Cartwright Creek since July 1, 2011 to comply with TRA Rule 1220-4-13-.07 and the Authority's Order Denying Petition and Ordering Cartwright Creek, LLC to Provide Security filed in TRA Docket No. 11-00066 on October 5, 2011;

Arthur J. Gallagher provides Professional Liability and Pollution Liability insurance to Cartwright Creek through its office in Itasca, IL. Tom Kolschowsky, Corporate Counsel for Sheaffer Wastewater Solutions, LLC and Cartwright Creek, LLC in Illinois has a nine-year working relationship with Gallagher for insurance on a number of companies. Bonnie Kristoferson is our Customer Service Agent. Our Glen Ellyn, IL office provided Bonnie with all the Cartwright Creek information. The end result was a denial letter. See attached Exhibit "1".

I contacted Alan Scarboro, Business Relationship Manager of First Tennessee Bank's business division in Franklin, TN. First Tennessee is also a Grasslands customer of Cartwright Creek. He did not think the letter of credit would be feasible. He said to check with local insurance firms about the possibility of a bond. He mentioned Anderson-Benson Insurance and Risk Management in Nashville, TN as one possibility.

I contacted Reno Benson at Anderson-Benson. He immediately recommended that we contact our current insurer and our bank (both of which we already had done.) Mr. Benson stated that in order to get a written yes/no he would need a complete application, financials, etc and some time to process. He also said that there would be a high likelihood that the owner's personal guaranty would be required. Since that is not an option, we did not pursue it further.

2) Information, including all supporting documentation, related to Cartwright Creek's efforts since July 1, 2011 to obtain financial security in the amount of the Company's gross annual revenue, as well as the results of such efforts;

Arthur J. Gallagher provides Professional Liability and Pollution Liability insurance to Cartwright Creek through its office in Itasca, IL. Tom Kolschowsky, Corporate Counsel for Sheaffer Wastewater Solutions, LLC and Cartwright Creek, LLC in Illinois has a nine-year working relationship with Gallagher for insurance on a number of companies. Bonnie Kristoferson is our Customer Service Agent. Our Glen Ellyn, IL office provided Bonnie with all the Cartwright Creek information. The end result was a denial letter. See attached Exhibit "1".

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3) Information, including all supporting documentation, related to Cartwright Creek's efforts since July 1, 2011 to obtain financial security in any amount, as well as the results of such efforts;

Arthur J. Gallagher provides Professional Liability and Pollution Liability insurance to Cartwright Creek through its office in Itasca, IL. Tom Kolschowsky, Corporate Counsel for Sheaffer Wastewater Solutions, LLC and Cartwright Creek, LLC in Illinois has a nine-year working relationship with Gallagher for insurance on a number of companies. Bonnie Kristoferson is our Customer Service Agent. Our Glen Ellyn, IL office provided Bonnie with all the Cartwright Creek information. The end result was a denial letter. See attached Exhibit "1".

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I contacted Reno Benson at Anderson-Benson. He immediately recommended that we contact our current insurer and our bank (both of which we already had done.) Mr. Benson stated that in order to get a written yes/no he would need a complete application, financials, etc and some time to process. He also said that there would be a high likelihood that the owner's personal guaranty would be required. Since that is not an option, we did not pursue it further.

4) If such proposed alternative financial security provides for an amount that is less than the Company's gross annual revenue reported in its 2013 Annual Report, information and analysis concerning whether the proposed amount is sufficient to cover the managerial, legal and operational costs of continuing wastewater utility services to Cartwright Creek's customers should the Authority need to assume control of the system and/or petition for the appointment of a receiver to assume control of the system;

Cartwright Creek is proposing an alternative financial security amount based upon the financial information provided in Exhibit "2". The first column of page 1 of the exhibit shows Cartwright Creek's expenses by vendor for the previous fiscal year, 2014. The second column on page 1 is the estimated monthly expenses for items essential to keep the facility running and to keep accounting for customer billing and collection functional. It includes operator time and expenses, accountant's time and expenses, utilities, and laboratory expenses.

5) If such proposed alternative security provides for an assignment of the Company's accounts receivable or the furnishing of customer account and billing records, information and analysis demonstrating how such assignment or records would reduce the amount of financial security otherwise required by the TRA's financial security rule;

The proposed alternative security would provide for assignment of all off the company's account information. There is an established system for billing and collection for sewer service, for monitoring customer accounts, and for payment of utility operating bills. These would be immediately available and usable by TRA and an operating receivership, if required. It would make funds for continued operation immediately available.

The company's accounting information and billing system is based upon the QuickBooks Online service. It can be accessed from any computer location by users with the proper security. The system contains not only customer accounts, but also records of expenses and vendor names and addresses. It is also used to print the monthly service bills to customers.

Most customers mail their monthly payments to a dedicated lock box at Pinnacle bank and checks are deposited daily into Cartwright Creek's bank account. Some customers have elected for monthly automatic withdrawals from checking (ACH). These are automatically withdrawn monthly by Pinnacle Bank into Cartwright Creek's account. Pinnacle updates deposit information daily. Cartwright Creek's accountant uses this information to regularly update customer accounts.

The Company also maintains corresponding customer lists that include the address, customer names, phone numbers, and billing amounts. If desired by TRA, Cartwright Creek could begin submitting the customer lists to TRA on an ongoing quarterly basis.

The above described existing systems would allow the TRA and a contract operator immediate access to manage the Cartwright Creek receivables and payments.

6) Information concerning the present financial condition of the Company, including, but not limited to, information and analysis of its current assets, current liabilities, and cash flows by month for the preceding twelve (12) months;

See attached Exhibit "3".

7) Information concerning the present condition and state of repair or disrepair of Cartwright Creek's system, including, but not limited to, information and analysis of maintenance and repairs made to the system during the preceding twelve (12) months, and a projection of maintenance, repairs and upgrades that need to be made to the system during the next three (3) years;

The current condition of the Grasslands wastewater treatment facility and the collection system is described in documents recently submitted to TDEC. Exhibit "4" contains a copy of Cartwright Creek's Nutrient Management Plan (NMP) submitted to TDEC in March 2014. The NMP also includes a Cartwright Creek Corrective Action Plan (CAP) submitted to TDEC in

February 2015. Both the NMP and CAP contain descriptions of the existing collection system and wastewater treatment systems current status, including flow and monitoring data.

As discussed in these documents, the treatment system is 40+ years old and the collection system is 20 to 40 years old. The wastewater treatment system effluent regularly meets the current permits discharge limits for all parameters in the current NPDES permit except for Total Nitrogen in the summer months. The collection system has significant infiltration.

Total Nitrogen and Total Phosphorus limits were added to Cartwright Creek's permit in the last renewal, issued by TDEC in 2010. The Cartwright Creek Grasslands facility will require substantial upgrades to comply with existing and proposed nutrient limits and replace and repair aging equipment.

Currently, repairs are made to equipment, such as pumps or controls, as they are identified and as funds permit. Since January 2014, the maintenance and repair items at the Grasslands system are:

- February – April 2014, Bouchard, rebuilding both of the main pump station pumps, \$21,000.
- February - September 2014, Southern Sales and Instruments Direct, installation of new influent and effluent flow monitors, plus rental of temporary meters \$18,000
- May 2014, Water and Waste Equipment, replacement of one pump at Old Natchez pump station, \$4,500
- January 2014, Contracting Services Inc., collection line repair at creek, \$2,300
- May 2014, Sanitec, jetting and TV inspection of collection line along Boxwood Drive, \$1,400
- May 2014, March 2015, Labtronix, maintenance and calibration of lab equipment \$1,000
- November 2014, March 2015, Bouchard, replacement of top and rewiring of one pump station at Old Natchez, \$8,000
- August 2014, Bouchard, replace backwash line at wastewater plant, \$1,300
- February 2015, Bouchard, repair air system piping at and around wastewater treatment plant, \$5,000
- May 2014, September 2014, Environmental Services, jetting and TV inspection of collection line section near creek, \$3,500
- January 2014, Wascon, replacement of emergency notification system on main pump station, \$3,000
- Plus smaller individual purchases of pipe, motors, paint, and other maintenance parts and supplies purchased and installed by Cartwright Creek staff. Estimated total of \$2,000

The above maintenance expenses total \$71,000.

The planned maintenance items are:

- For late 2015, replacement of the top and rewiring of the other Old Natchez pump station including general maintenance on fence and interior grounds, estimated cost \$10,000.

8) Information concerning the status of Cartwright Creek's compliance with permitting requirements administered by the Tennessee Department of Environment and Conservation ("TDEC"), including, but not limited to, all communications between the Company and TDEC during the preceding twelve (12) months;

The Cartwright Creek Grasslands wastewater treatment facility operates under an NPDES permit issued by TDEC (Permit No. TN0027278). TDEC issued a permit renewal in September 2010. Due to the length of the renewal process, the permit expiration date was November 2011. In July 2011, Cartwright Creek submitted a renewal application to TDEC. The NPDES permit renewals for three dischargers on the Harpeth River, Cartwright Creek, Berrys Chapel LLC and the City of Franklin are being processed simultaneously. A draft permit renewal for each facility was issued in April 2013. Permit holder and public comments were submitted and public hearings were held in 2013. It is Cartwright Creek's understanding that the draft permit and other retaliated information for all three facilities is being reviewed by US EPA. TDEC has not informed Cartwright Creek of the expected date for issuing the final permit renewal.

Cartwright Creek's wastewater treatment system had been in substantial compliance with the NPDES permits in effect prior to 2010. The 2010 reissuance contained new summer (May through October) limits for nutrients (Total Nitrogen and Total Phosphorus). As described in the attached Nutrient Management Plan, the current wastewater treatment facility cannot meet the Total Nitrogen standards without significant upgrades. Since the permit reissuance in late 2010, except for short periods of time that the plant may experience an upset due to weather or equipment issues, the wastewater treatment system has met the permit limits for discharge parameters except summer months Total Nitrogen.

During 2104, Cartwright Creek negotiated and signed two separate but related Settlement Agreements regarding the Grasslands wastewater treatment facility.

On April 23, 2014 TDEC issued a Commissioner's Order and Assessment to Cartwright Creek for possible violations of the Tennessee Water Quality Control Act. On August 21, 2014, Cartwright Creek and TDEC entered into a Settlement Agreement and Consent Order (Exhibit "5"). It required Cartwright Creek to prepare and submit revisions to monthly discharge monitoring reports and other plans to monitor and control the treatment and collection system. It also required payment of a \$4,684.35 and for Cartwright Creek to be in full compliance with its discharge permit by December 31, 2015.

On January 13, 2014, Southern Environmental Law Center (SELC), on behalf of the Harpeth River Watershed Association, filed three "60-Day Notice of Violation and Intent to File Citizen Suit under Section 505 of the Clean Water Act" against three dischargers on the Harpeth River that included the City of Franklin, Berrys Chapel, LLC, and Cartwright Creek, LLC. On

On November 4, 2014, Cartwright Creek entered into a Consent Decree with HWRA (Exhibit "6"). In the Consent Decree, Cartwright Creek agreed to participate in and help fund a Supplemental Environmental Project (SEP), led by the Tennessee Wildlife Resources Foundation, to further study the Harpeth River quality. Cartwright Creek agreed to annual

grants for the SEP that would total \$40,000 over four years. Cartwright Creek also agreed to participate in a Stakeholders Group to create a watershed restoration plan and design river studies that would further the protection of the Harpeth River. And Cartwright Creek was required to prepare and submit a Nutrient Management Plan to TDEC.

Cartwright Creek has completed the following items by the required dates in either the TDEC or HWRA agreements:

- Payment of the first SEP grant to TWRA on November 9, 2014
- Revisions to monthly Discharge Monitoring Reports (DMR) for 2011 through 2013 were submitted to TDEC at various points in 2014.
- Sewer Overflow Response Plan on December 18, 2014
- Corrective Action Plan on February 17, 2015
- Nutrient Management Plan on March 9, 2-15

To date, Cartwright Creek has not received TDECs approval of the SORP, CAP or NMP, and has not received a request to participate in the SEP or Stakeholders group.

9) Information concerning whether any liquid assets or collateral are accessible to the Company that could be used to meet the Authority's financial security requirements on a temporary or permanent basis, including the sources of such assets or collateral;

None.

10) Information concerning whether an escrow account or other reserve should be established, maintained, or monitored in order to assure the availability of funds that could be used to address any unanticipated financial or operational hardships, including the various mechanisms or sources available to fund such an account or reserve; and

An escrow account could provide funds for repairs to or replacement of specific equipment items at Cartwright Creek. The only funding mechanism for would be available to Cartwright Creek would be a tariff revision that would add a fixed amount to each customer's monthly bill. The amount of escrow raised by this method could, over a length of time, provide for upgrades to individual equipment items, such as pump stations or blowers. For example, a \$10 per month escrow fee on each users account would make available approximately \$5,000 a month or \$60,000 annually. This would be sufficient for a partial refurbishing of one of the two smaller Cartwright Creek pump stations. However, the amount of funds available using this approach would not be sufficient for major upgrades required to meet the nutrient standards in the current and proposed NPDES permits or eliminate infiltration in the collection system.

11) Any other information or analysis concerning the present operational and financial condition of Cartwright Creek's system, the availability of Company resources, the Company's access to capital and financial services markets, or any other information the Company deems pertinent to its request for alternative financial security.

None.



**STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES
William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue, 11th Floor
Nashville, TN 37243-1534**

April 30, 2015

Bruce Meyer, Operations Manager
1551 Thompson's Station Road W.
Thompsons Station, TN 37179

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED
RECEIPT #7010 1870 0000 9557 4794**

Subject: CONSENT ORDER WPC14-0021
SEWER OVERFLOW RESPONSE PLAN
NPDES TN0027278
WILLIAMSON COUNTY, TENNESSEE

Dear Mr. Meyer,

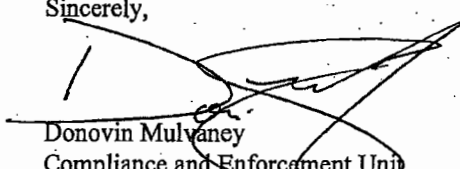
On December 18, 2014, the Division of Water Resources (DWR) received the Respondents' Sewer Overflow Response Plan (SORP). The SORP is a guidance document which aids employees in following proper procedures and protocol in case of a sewage overflow.

The Division has concluded its review and approves the SORP with the following request:

- Please add the following statement to the Recordkeeping and Reporting Section. In case of a fish kill, immediately contact the TDEC Nashville Field Office and TWRA. Williamson County is under TWRA Region 2. Phone numbers for TWRA Region 2 are 615-781-6622 or 800-624-7406.

The Division appreciates your efforts to maintain water quality. Should you have any further questions, please feel free to contact me at (615) 532-3634.

Sincerely,


Donovan Mulvaney
Compliance and Enforcement Unit
Division of Water Resources

cc: DWR – EFO – Columbia (via e-mail)
OGC – (via e-mail)
Enforcement File



**STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES
William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue, 11th Floor
Nashville, TN 37243-1534**

May 28, 2015

Bruce Meyer, Operations Manager
1551 Thompson's Station Road W.
Thompsons Station, TN 37179

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED
RECEIPT #7010 1870 0000 9557 4824**

Subject: CONSENT ORDER WPC14-0021
CORRECTIVE ACTION PLAN (CAP)
NPDES TN0027278
WILLIAMSON COUNTY, TENNESSEE

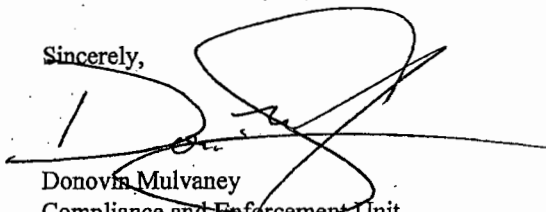
Dear Mr. Meyer,

On February 19, 2015, the Division of Water Resources (DWR) received the Respondents' Corrective Action Plan (CAP). The CAP was requested to be submitted in response to the above referenced Order. The Division asked the Respondent to address, among other items, overflows that were occurring in the collection system and more specifically in or near the River Rest Subdivision.

The Division has concluded its review and approves the CAP.

The Division appreciates your efforts to maintain water quality. Should you have any further questions, please feel free to contact me at (615) 532-3634.

Sincerely,



Donovan Mulvaney
Compliance and Enforcement Unit
Division of Water Resources

cc: DWR – EFO – Nashville (via e-mail)
OGC – (via c-mail)
Enforcement File