

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>APPLICATION OF LIMESTONE</b>	)	
<b>WATER UTILITY OPERATING</b>	)	
<b>COMPANY, LLC FOR AUTHORITY TO</b>	)	
<b>SELL OR TRANSFER TITLE TO THE</b>	)	<b>DOCKET NO. 21-00059</b>
<b>ASSETS, PROPERTY AND REAL</b>	)	
<b>ESTATE OF A WATER SYSTEM AND</b>	)	
<b>FOR A CERTIFICATE OF</b>	)	
<b>CONVENIENCE AND NECESSITY</b>	)	
	)	

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**LIMESTONE WATER UTILITY OPERATING COMPANY, LLC RESPONSE TO  
CONSUMER ADVOCATE'S FIRST SET OF DISCOVERY REQUESTS**

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**RESPONSE TO FIRST SET OF DISCOVERY REQUESTS**

**1-1.** Refer to the Sales Agreement. Explain how the purchase price of \$60,000 for the Candlewood Lakes system was negotiated and determined. Include within the response all analytical support/workpapers for the purchase price.

**RESPONSE:** The purchase price was arrived at through an arm's length transaction based on the net book value of the system and the Company's understanding of the projected appraised property value.

**1-2.** Refer to the Sales Agreement. Provide an estimate of the surveyor and easement expenses as discussed on page 6 of the Sales Agreement. Additionally, state whether Limestone intends to recover these expenses from ratepayers at a later date.

**RESPONSE:** The estimated cost for the surveying is \$20,000. Currently there is no plan to purchase additional easements outside of what is included in the purchase

**price. Limestone expects that surveying costs would be included in its rate base calculation in a future docket.**

**1-3.** Refer to the Sales Agreement, specifically, marked page 5, along with the testimony of Josiah Cox, page 13. Provide a detailed cost estimate of the anticipated capital expenditures necessary to address the Tennessee Department of Environment and Conservation Director's Order No. DWS17-0052 along with any other anticipated capital expenditures, separated by project, to be incurred from 1/1/23 through 12/31/25.

**RESPONSE: Please see the attachment "1-3 Engineering Memo". The current total repair and upgrade estimate to be performed by Limestone is located on page 4 of the engineering memo. The amount includes \$42,000 of "triage" and \$360,000 of "improvements" for a total of \$402,000.**

**1-4.** Provide the projected accounting entries to be recorded on the books of Limestone to record the Candlewood Lakes acquisition based upon applicable Candlewood Lakes balances as of December 31, 2021, reconciled with the purchase price. For the avoidance of doubt, the term "Candlewood Lakes" refers to both Candlewood Lakes Property Owners Association, Inc. and Candlewood Lakes POA Water Works, Inc.

**RESPONSE: Please see the Accounting Schedules filed by the Company on 2/7/22 to cure the Minimum Filing Requirement Deficiencies.**

**1-5.** Refer to Confidential Exhibit 11 to the Petition. Provide a Pro-Forma Balance Sheet separating balances by system.

**RESPONSE: Please see the attachments "1-5 Candlewood Lakes BS" and "1-5 Limestone BS."**

1-6. Refer to Confidential Exhibit 11 to Petition. Provide a Pro-Forma Income Statement separating balances by system.

**RESPONSE: Please see the attachments “1-6 Candlewood Lakes IS” and “1-6 Limestone IS.”**

1-7. Provide a Pro-Forma projected Income Statement for the Candlewood Lakes system for the calendar years 2023 and 2024.

**RESPONSE: Please see the attachments provided in response to DR 1-6 for a pro-forma income statement that reflects projected information for the years 2023 and 2024.**

1-8. Explain the extent to which Limestone (including all affiliates) reviewed the accounting practices and records of Candlewood Lakes as part of the due diligence performed before entering into the purchase agreement, and explain whether Limestone agrees with such historic accounting practices. For the avoidance of doubt, the term “Candlewood Lakes” refers to both Candlewood Lakes Property Owners Association, Inc. and Candlewood Lakes POA Water Works, Inc.

**RESPONSE: Limestone and affiliates reviewed the accounting practices and records of Candlewood Lakes. The Company generally requests any and all annual reports, financial records, and miscellaneous documents/records that may help broaden Limestone’s understanding of how the system is run. Based on its review, Limestone is unable to confirm that it agrees with Candlewood Lakes’ historic accounting practices.**

1-9. Does Limestone intend to reserve the opportunity to modify any historical account balances of Candlewood Lakes as a result of any prospective review of its accounting practices. For the avoidance of doubt, the term “Candlewood Lakes” refers to both Candlewood Lakes Property Owners Association, Inc. and Candlewood Lakes POA Water Works, Inc.

**RESPONSE: Limestone does seek to reserve the opportunity to modify historical account balances.**

1-10. Confirm that Limestone intends to maintain separate accounting records for the Candlewood Lakes system such that the assets, liabilities, revenues, and expenses incurred in operating the system will be separately identifiable from the financial results of other Limestone operating systems.

**RESPONSE: Confirmed.**

1-11. Section V(d) of the Petition states that “[t]he provision of services by Limestone will not adversely impact the availability of affordable utility service. With respect to this statement, respond to the following:

- a. Provide all underlying supporting information that leads Limestone to conclusion that affordability of utility service will not be adversely impacted as a result of this acquisition; and
- b. How does Limestone define affordable utility service and over what time horizon does this statement apply?

**RESPONSE:**

**a. Limestone's contention that the provision of service will not be adversely impacted by the acquisition is based on the fact Limestone proposes to adopt Candlewood Lakes current rates. No change in rates means the affordability of rates won't be adversely affected.**

**b. Limestone defines "affordable rates" as rates that are fair and reasonable. Candlewood Lakes has set fair and reasonable rates for their customers that Limestone has proposed to**

adopt. If the Commission approves Limestone's acquisition, any future change in rates must be approved by the Commission, which is legally obligated to set rates that are fair and reasonable to both the utility and its customers.

**1-12.** With Farris Bobango representing both parties in this matter, will costs be billed separately for each party? Provide a statement detailing how costs are recorded for each party and costs incurred to date for each party. This is an ongoing request and should be seasonably updated.

**RESPONSE: No. All costs related to the current regulatory proceeding will be billed to Limestone.**

**1-13.** The Consumer Advocate notes that the Sales Agreement, <Exhibit 7>, between Limestone and Candlewood Lakes POA Water Works, Inc. does not contain a “Buyer Indemnification” clause. Explain the risks assumed by Seller due to the absence of such a provision.

**RESPONSE: Section 11 of the Candlewood Lakes sale agreement – entitled “Indemnification” – obligates the seller to indemnify the buyer against all liabilities and claims described in that section, which generally relate to operation of the business pre-closing. Since it is highly unlikely the seller would face similar potential liability relating to ownership and operation of the assets post-closing, there is no need for a “Buyer Indemnification” clause. And because the agreement contains no such clause, the seller apparently agrees.**

**1-14.** Refer to the Sales Agreement. Specifically, refer to Section 1(D) and provide answers to the following:

- a. Is this a charge the Applicants believe will be subject to the authority of the Commission? Provide the supporting rationale for the conclusion reached; and

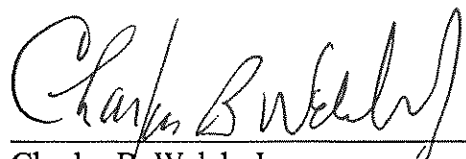
- b. If this fee is not subject to the authority of the Commission, how does Limestone intend to account for such transactions.

**RESPONSE:**

a. Limestone does not believe that the water availability fee is subject to the authority of the Commission. This \$48 annual charge is provided for in the subdivision restrictive covenants and is paid by a property owner to the developer for the option of connecting to the water system. The same covenants provide that, once the property owner actually connects to the water main, the water availability fee is terminated, and the property owner (now considered a utility customer) would begin paying regulated rates. Thus, at no time would the water availability fee be collected by the utility. Instead, the water availability fee would, at all times, be charged to the property owner by the property developer. For this reason, it is not a charge made by Limestone as a utility that is regulated by the Commission. Instead, it is a contractual charge between the developer and a property owner.

b. Limestone is not aware of any obligation for it to bill or collect the water availability fee. Rather, the water availability fee is billed by the property developer to the landowner. Since Limestone will not bill or collect this fee, it will not need to account for this transaction.

RESPECTFULLY SUBMITTED,

  
\_\_\_\_\_  
Charles B. Welch, Jr.

Tyler A. Cosby  
Farris Bobango PLC  
414 Union Street, Suite 1105  
Nashville, TN 37219  
Email: [cwelch@farris-law.com](mailto:cwelch@farris-law.com)  
Email: [tcosby@farris-law.com](mailto:tcosby@farris-law.com)

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail, with  
a courtesy copy by electronic mail, upon:

JAMES P. URBAN (BPR No. 033599)  
Deputy Attorney General  
KAREN H. STACHOWSKI (BPR No. 019607)  
Senior Assistant Attorney General  
Office of the Tennessee Attorney General  
Financial Division, Consumer Advocate Unit  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
Phone: (615) 741-3739  
Fax: (615) 741-8151  
Email: [james.urban@ag.tn.gov](mailto:james.urban@ag.tn.gov)  
Email: [karen.stachowski@ag.tn.gov](mailto:karen.stachowski@ag.tn.gov)

On this the 17th day of June 2022.



Charles B. Welch, Jr.

**ENGINEERING MEMO**  
**CANDLEWOOD LAKES WATER SYSTEM**  
**JULY, 2021**

**1. Introduction**

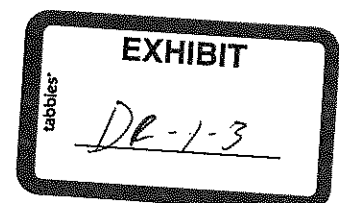
**a. General System Info**

- i. Subdivision(s) served – Candlewood Lakes development
- ii. Current owner (seller) – Candlewood Lakes Property Owners Association
- iii. Customer count and type – approximately 105 residential customers
- iv. General geographic location of service area – service area is located in Hardeman County, approximately 2.5 miles north of the Mississippi state line and 7 miles west of the community of Middleton, TN.
- v. Are there pending developments or phases in service area? This was not explored. There appear to be numerous undeveloped lots in the service area.
- vi. PWS facility name – Candlewood Lakes Water System
- vii. Permit number – PWSID # TN0000797
- viii. Estimated daily usage – the system engineer estimated daily production is 35,000 gpd.

**2. Water Production and/or Treatment Facility**

**a. Facility Description**

- i. Facility type – system consists of a single well, sodium hypochlorite addition, and storage in an onsite standpipe. NOTE THAT THE POA ALSO APPEARS TO OWN THE LAKES AND DAMS AND THESE WERE NEITHER INSPECTED NOR INCLUDED IN THIS REPORT.
- ii. Approximate age of facility and source used to age facility – Mr. David Kennamore, the representative of the POA, stated the well was drilled in 1974.
- iii. Description of facility and main components – the water well is reported to be approximately 600 feet deep with a setting of 520 feet, producing 88 gpm with a 20 HP, 240V 3-phase submersible pump. The pump was reportedly replaced in 2019. There is no generator or transfer switch present. The standpipe is 12 feet in diameter, welded steel, with an aluminum paint coating on the exterior. Height was roughly measured at 63 feet, which would give a volume of 52,000 gallons below the overflow. The exterior ladder has safety cages and a locked anti-climb gate. Although reported to have been recoated in 2017, the interior of the tank has extensive coating failures and no screen on the vent. The fenced well and tank site is approximately .5 acre. The combination of the well with the elevated storage may be considered adequate to serve 150 or more customers. **NOTE:** The estimated overflow elevation of the standpipe is 698 feet. Approximately 15% to 20% of the existing connections are constructed marginally above elevation 600 feet. This means when the water level in the standpipe drops below approximately 25% full, these connections would not be





expected to have at least 20 psi pressure. The state may require a formal capacity calculation be performed in the future that evaluates the usable storage volume of the tank in consideration of the elevations of the customer connections. Additional storage may have to be constructed to support significant growth in the future.

- iv. Table of main system components (wells, intake pumps, storage tanks, hydropneumatic tanks, booster pumps) – see descriptions above.
- v. Description of disinfection process utilized – sodium hypochlorite addition by metering pump while well is running.

b. Permit Info

- i. Permit status (if applicable) – the most recent Sanitary Survey on hand is dated March 5, 2019, and a review of the TNDEC website indicates this was the last site visit performed. The numerical score of 593 points out of 599 retained the system's status as "approved". Two items noted as deficiencies on the survey appear to have been successfully addressed (adding locking anti-climb gate to tank ladder, and flap gate to overflow pipe).
- ii. Brief compliance review narrative
  - 1. NOVs – The system is currently under a Director's Order DWS17-0052 for failure to install a duplicate water supply well. This has resulted in a moratorium being imposed on the system.
  - 2. MCL exceedances from DWW or any other relevant sources – data related to violations has been downloaded from the TNDEC website and an email sent to the agency requesting clarification of the violations. Violation 2021-208 is a monitoring, routine major violation. Violation 2021-212 is monitoring, routine minor violation; both are for Volatile Organics.

c. Recommended Repairs and Improvements Summary

- i. Triage repairs (to be performed by O&M designated contractor upon facility acquisition)
  - 1. Add SCADA to monitor power, water well and tank level/pressure.
  - 2. Install screen on standpipe vent to prevent birds and insects from entering.
- ii. Improvements and other repairs (to be performed by outside contractor through formal bid process)
  - 1. A second water well must be installed on the site to comply with the Director's Order.
  - 2. The interior of the standpipe should be blasted and recoated.
  - 3. Add manual transfer switch to power the well.

3. Water Distribution System

a. Distribution System Description

- i. System material, size, footages, age, etc. – The water system is reported to consist of approximately 50,000 feet of 1" through 8" PVC pipe, 75% of which is 4 inch and larger. It appears much of the system was installed prior to 1985.

There are no fire hydrants; there are a few flushing valves located within meter boxes at the extremities of the system. There are no individual water meters, and customers are charged a flat rate.

- ii. General distribution flow description from source – no map was provided. The well and tank are generally near the south edge of the service area.
- iii. Number and location of flush hydrants/devices – a map of these locations will be requested.

b. Recommended Repairs and Improvements Summary

- i. Triage repairs (to be performed by O&M designated contractor upon facility acquisition)
  - 1. Develop a map of the system with valve locations and add any flushing hydrants deemed necessary.
- ii. Improvements and other repairs (to be performed by outside contractor through formal bid process)
  - 1. Evaluate the cost/benefit of installing water meters on the system, with AMR capability.

4. Capital Estimate (per the NARUC categories provided separately)

**Capital Estimate**  
**Opinion of Probable Construction Costs**  
**Candlewood Lakes Property Owners Association**  
**Candlewood Lakes Water System**  
**Hardeman County, Tennessee**  
**July, 2021**

<b>NARUC Class</b>	<b><u>TRIAGE PHASE - Water System</u></b>	<b>Qty</b>	<b>Unit</b>	<b>Unit Price</b>	<b>Total</b>
GP - Fixed	MISSION SCADA for treatment plant items	1	EACH	\$ 15,000	\$ 15,000
WT&P - Fixed	Add screen to standpipe vent	1	LS	\$ 2,000	\$ 2,000
T&D - Fixed	Add flushing hydrants	5	EACH	\$ 5,000	\$ 25,000

**Total Triage Phase Capital Estimate: \$ 42,000**

<b>NARUC Class</b>	<b><u>CONSTRUCTION PHASE - Wastewater System</u></b>	<b>Qty</b>	<b>Unit</b>	<b>Unit Price</b>	<b>Total</b>
Source - Fixed	New 90 gpm water well	1	LS	\$ 200,000	\$ 200,000
Source - Fixed	Well site piping and electrical to support well	1	LS	\$ 20,000	\$ 20,000
WT&P - Fixed	Rehabilitate interior of standpipe	1	LS	\$ 40,000	\$ 40,000
GP - Fixed	Manual Transfer Switch	1	LS	\$ 15,000	\$ 15,000
T&D - Fixed	Add meters and boxes on existing services	110	EACH	\$ 500	\$ 55,000
T&D - Fixed	AMR equipment	1	LS	\$ 30,000	\$ 30,000

**Construction Phase Capital Estimate: \$ 360,000**

**Sum of Triage and Construction Phases: \$ 402,000**

5. Attachments to Water Memo (if available, as separate documents)
  - a. Complete water permit (if applicable) – has been requested from TNDEC.
  - b. Complete system component and compliance table from DWW – listing of components included as Attachment B
  - c. Compliance history documents including inspection reports from local or state regulatory bodies – Sanitary Survey and listing of violations included as Attachment C
  - d. Copies of any agreements made with surrounding utilities – none provided.
  - e. Plans, as-builts or system layout maps – none provided. A Facilities Plan prepared by A2H Engineers is included as Attachment E.
  - f. Recommendations for local vendors
    - i. O&M Companies
    - ii. Labs or Testing Companies
    - iii. General Contractors
    - iv. Well Drillers
    - v. Electricians

ATTACHMENT B  
CANDLEWOOD LAKES POA WATER WORKS, INC.  
STORAGE DISTRIBUTION

DESCRIPTION	QTY	UNIT	AMOUNT
Water Supply Well	1	Ea	
Storage Tank: Above ground 65,00 gallon standpipe	1	Ea	
Disinfection System Liquid Chlorine Feed System	1	Ea	
Master meter for treated water prior to distribution system	1	Ea	
8 inch PVC	4970	LF	
6 inch PVC	9400	LF	
4 inch PVC	20470	LF	
3 inch PVC	3090	LF	
2 inch PVC	10890	LF	
1 inch PVC	800	LF	
8 inch gate valve with valve box	7	Ea	
6 inch gate valve with valve box	13	Ea	
4 inch gate valve with valve box	29	Ea	
3 inch gate valve with valve box	3	Ea	
2 inch gate valve with valve box	24	Ea	
1 inch gate valve with valve box	4	Ea	
Electrical 3 Phase installed 2013	1	Ea	
Tax roll land value of all lots related to Water Plant	4	plats	4,300.00
New 20 hp pump with new electrical line installed 11/2019	1	Ea	8,175.23

ATTACHMENT C - SANITARY SURVEY



**TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION**  
**Memphis Environmental Field Office**  
8383 Wolf Lake Drive  
Bartlett, TN 38133-4119  
Phone (901) 371-3000 Statewide 1-888-891-8332 Fax (901) 371-3170

March 5, 2019

Mr. David Kennamore  
389 Candlewood Drive  
Saulsbury, TN 38067

**Re: Sanitary Survey Report (Community Water System)**  
**Candlewood Lakes Water System**  
**PWSID # TN0000797**  
**Hardeman County**

Dear Mr. Kennamore:

On February 19, 2019, Mr. Gharib A. Khan from the Division of Water Resources (DWR) visited the Candlewood Lakes Water System and performed a Sanitary Survey. The survey consisted of a records review to document the operational performance of the system and an on-site inspection of the water treatment and distribution system. The survey covered the time period from April 2017–February 2019. The Division would like to thank you, Mrs. Julie Perrine (Administrator) and Mr. Loren Agee (Maintenance Operator) for your courtesy, willingness to work with the Division, and timely responses to Division requests. In accordance with the Sanitary Survey Manual, the Candlewood Lakes Water System earned 593 points out of a possible 599 points for a numerical score of ninety nine percent (98%). This rating retains the Candlewood Lakes Water System in the State's "Approved" category.

The following deficiencies, comments, and/or recommendations as outlined in the Sanitary Survey Rating Form were identified during the survey and should be addressed as applicable:

**1. Section 1: System Management and Operation**  
• **Subsection A. Record Keeping**

Rule 400-45-01-.20, requires records of bacteriological analysis made pursuant to the Public Water System rules shall be kept for not less than five (5) years. Records of chemical analyses made pursuant to these rules shall be kept for not less than ten (10) years. Lead and copper analysis made pursuant to these rules shall be kept for not less than twelve (12) years. During the Sanitary Survey it

was noted that all records were available for inspection, but not in chronological order. It is recommended that records be kept in chronological order.

## **2. Section 1: System Management and Operation**

### **• Subsection D. Reporting Requirement**

Division Rule 0400-45-01-.17(2), states the daily operating records shall be submitted in a timely manner so they are received by the Division no later than ten days after the end of the reporting month. Any special reports, deemed necessary by the Division to assure continuous satisfactory operation of the water system, shall be submitted to the Division.

During the file review it was noted that a few Monthly Operation Reports (MORs) were received late. Please be aware that the water supplier is required to submit the MOR to the Division within the first ten days following the month in which the result is received or the first ten days following the end of the required monitoring period. This item was mentioned in the previous Sanitary Survey as well.

## **3. Section 7: Pumps, Pump Facilities and Controls**

### **• Subsection A. Pump Facilities**

Division Rule 0400-45-01-.17(13) requires all water system using groundwater supplies and having more than 50 service connections must have duplicate water wells. Failure to meet this requirement could result in a serious water supply shortage for customers or total loss of water. At the time of survey, it was noted that this water system has 105 service connections, but operates only from one water well. Candlewood Lakes Water System has hired A2H Engineering to send a plan and specification for backup water well to Central Office in Nashville for approval. According to Mr. Ed Hargraves with A2H, the plan and specifications are ready and waiting for Candlewood official's signature.

## **4. Section 6: Finished Water Storage**

### **• Subsection B. Inspection and Maintenance of Reservoirs, Tanks and Clearwell**

Division Rule 0400-45-01-.17(17), requires all buildings and equipment used in and for the production and distribution of water must be well maintained and be reliable and fit for the purpose for which they are used.

During the tank inspection, it was noted that the 55,000 gallon standpipe water storage tank was inspected, repaired and painted by Leher Painting Enterprise in 2017. As a reminder this tank needs to be inspected again in 2022. Also, it was noted that the tank's ladder does not contain any anti-climb device. This condition could result in a possible security threat and safety

concern. Additionally, at the time of this Sanitary Survey it was noted that the overflow pipe of the storage tank did not have a protective flapper. Please have qualified personnel check the deficiencies and remedy the existing problems. These deficiencies were mentioned in Sanitary Survey dated May 3, 2017 as well. On or before **May 31, 2019**, submit a written response which explains the actions taken or will be taken to remedy these noted deficiencies.

**The following comments are general reminders/comments:**

1. The Candlewood Water System now has 105 connections serving an estimated population of 308. The number of required bacteriological samples taken from the distribution system remains one (1) per month.
2. Candlewood Water System completed nitrate and lead and copper chemical monitoring for 2018. As a reminder, please be aware that monitoring for 2019 nitrate chemical monitoring should be conducted prior to September 30, 2019. Also, the due date for Haloacetic (HAA) Acids and Total Trihalomethanes (TTHM) is August 2019. Please refer to the waiver letter dated February 23, 2017 for more information regarding additional monitoring required to be conducted in 2019 and 2021.
3. According to the Revised Total Coliform Rule (RTCR), which took effect on April 1, 2016, please be aware if the sample result is positive for total fecal or E. coli, it means the laboratory found bacteria. If this occurs then the system must submit three repeat samples marked R. Repeat samples must be collected within 24-hours of being notified of the positive results. If all repeat samples are negative it means that the water system is in compliance for that month. Please refer to Rule 0400 - 45-01-.07 and 0400-45-01-.41 for more information.
4. No new construction or modification may be made without approval of the Division.
5. The Candlewood Water System submitted a drought management plan to the Division in December 2018 as required. The drought management plan has been approved by the Division.
6. At the time of Sanitary Survey, it was noted that there were no water tap records. As a reminder, new service taps on existing mains that must be uncovered to make the tap, shall be flushed and free chlorine residual measured and recorded prior to connecting the service lines. These records shall be retained for three years.
7. Division Rule 0400-45-01-.41(3) (ii) requires all water system to update their wellhead protection plan every three years and submit a copy to DWR. A copy of the Wellhead Protection Plan was submitted to DWR in September 2018.

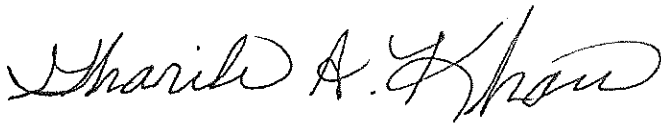


Mr. David Kennamore  
March 5, 2019  
Page 4

8. Division Rule 0400-45-01-.41 requires all water system to have a written bacteriological sample site plan completed according to Revised Total Coliform Rule (RTCR) by March 31, 2016. A copy a written bacteriological sample site plan was submitted to the Division on September 8, 2017.

We appreciate the courtesy shown to members of our staff during the survey. If you have any questions about this letter, please contact me at (901) 371-3015 or by email at [Gharib.Khan@tn.gov](mailto:Gharib.Khan@tn.gov).

Sincerely,



Gharib A. Khan  
Environmental Protection Specialist  
Division of Water Resources  
Memphis Environmental Field Office

Enclosures: Sanitary Survey Rating form

cc: TDEC/DWR/MEFO File  
TDEC/DWR/Nashville Central Office File  
Mr. James Kirk, Certified Operator

## Sanitary Survey Rating

PWSID:	TN0000797	Water System Name:	Candlewood Water System
Survey Date:	2/19/2017	System Category (Points):	599

421 - Consecutive Systems/Distribution Only  
 488 - Treatment Systems/Wholesalers  
 599 - Both Treatment and Distribution

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

Requirement	Points Range	Deduction	Comments
A. Record Keeping 0400-45-01-.20	(0)	Narrative	Records should be organized, in chronological order and available for inspection.
B. Construction Projects 0400-45-01-.05, 0400-45-01-.17	(1-5)		OK
C. Submission of Monthly Operations Reports 0400-45-01-.17	(0)	Narrative	
D. Reporting Requirements 0400-45-01-.18	(4-30)		OK
E. Public Notification 0400-45-01-.19	(3-10)		OK
F. Facility Maintenance Fee	(0)	Narrative	OK
G. Enforcement – TCA §68-221-701 et seq.	(4-10)		OK
H. Emergency Operations Plan 0400-45-01-.17	(3)		OK
	Deficiency Subtotal		

### 2. Operator Compliance (23)

Requirement	Points Range	Deduction	Comments
A. Certified Operator – Plant and Distribution System 0400-45-01-.17(1) and 0400-49-01-.04	(3-15)		OK
	Deficiency Subtotal		

### 3. Source (25)

Requirement	Points Range	Deduction	Comments
A. Source Adequacy 0400-45-01-.02, .05, .16, .17(13) and .34(3)	(3-5)		OK
B. Intake 0400-45-01-.05, .17	(2)		OK
C. Wellhead/Springbox Construction 0400-45-01-.05(12), .16 and .17(3) and (16)	(2)		OK
D. Source Protection Plans 0400-45-01-.34	(1-2)		
	Deficiency Subtotal		

#### 4. Treatment (153)

Requirement	Points Range	Deduction	Comments
A. Aerator 0400-45-01-.05, .17	(2)	<input type="text"/>	N/A
B. Chemicals/Chemical Feeders 0400-45-01-.05(8), and .17, .36	(2)	<input type="text"/>	OK
C. Mixing 0400-45-01-.02, .05, .17	(2)	<input type="text"/>	OK
D. Flocculation 0400-45-01-.02, .05, .17	(2)	<input type="text"/>	N/A
E. Sedimentation 0400-45-01-.02, .05, .17	(2)	<input type="text"/>	N/A
F. Filtration/Alternative Technology 0400-45-01-.17(12) and (27)	(2-30)	<input type="text"/>	N/A
G. Re-wash/Filter-to-waste 0400-45-01-.17 (35)	(2)	<input type="text"/>	N/A
H. Turbidimeters/Calibration 0400-45-01-.05 (11).17, .31, .39	(2-4)	<input type="text"/>	N/A
I. Disinfection 0400-45-01-.02, .17, .31, .36	(2-30)	<input type="text"/>	OK
J. Disinfection Contact Time 0400-45-01-.02, .17, .31	(2-4)	<input type="text"/>	OK
K. Master Meter 0400-45-01-.17 (b)	(1-2)	<input type="text"/>	OK
L. Maintenance of Equipment, Buildings and Grounds 0400-45-01-.17	(1)	<input type="text"/>	OK
M. Laboratory Facilities 0400-45-01-.02, .14, .17(3)	(1-3)	<input type="text"/>	OK
N. Safety 0400-45-01-.02	(2)	<input type="text"/>	OK
O. Sludge Handling/Backwash Handling 0400-45-1-.05	(2)	<input type="text"/>	N/A
P. Sanitary Conditions 0400-45-01-.17 (17)	(2)	<input type="text"/>	OK
Q. Fluoridation Techniques 0400-45-01-.06, .12, .17	(2)	<input type="text"/>	N/A
R. Design Capacity 0400-45-01-.05 (10)	(2-4)	<input type="text"/>	OK
S. Filter Backwash Recycling 0400-45-01-.31 (9)	(1)	<input type="text"/>	N/A
	Deficiency Subtotal	<input type="text"/>	

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

Requirement	Points Range	Deduction	Comments
A. Laboratory-Process Monitoring (excluding Turbidity and Chlorine Residual) 0400-45-01-.17(3)	(5)		OK
B. Bacteriological Monitoring	(2-6)		OK
C. Bacteriological Compliance 0400-45-01-.06	(4-7)		Ok
D. Turbidity Monitoring	(2-3)		N/A
E. Turbidity Compliance	(4-7)		N/A
F. Chlorine Residual Monitoring 0400-45-01-.17, .31, .36	(2-3)		OK
G. Primary Chemicals Monitoring	(2-3)		Ok
H. Primary Chemicals Compliance	(4)		Ok
I. Lead and Copper Monitoring 0400-45-01-.33	(2-3)		Ok
J. Lead and Copper Action Level 0400-45-01-.33	(3-5)		OK
K. Disinfection/Disinfection By-Products and Precursors Monitoring 0400-45-01-.36, .37, .38	(2-3)		OK
L. Disinfection/Disinfection By-Products and Precursors Compliance 0400-45-01-.06, .36	(2-30)		OK
M. Secondary Chemicals 0400-45-01-.12	(2)		OK
N. Secondary Chemicals Compliance 0400-45-01-.12	(3)		N/A
O. Cryptosporidium Monitoring 0400-45-01-.39	(0)	Narrative	
	Deficiency Subtotal		

### 6. Finished Water Storage (25)

Requirement	Points Range	Deduction	Comments
A. Adequate Storage 0400-45-01-.17 (14)	(2-4)		OK
B. Inspection and Maintenance of Reservoirs, Tanks and Clearwell 0400-45-01-.17 (16), (17), (33) and (34)	(1-10)	2	Failure to provide adequate security or provide flap for overflow pipe
	Deficiency Subtotal	2	

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

Requirement	Points Range	Deduction	Comments
A. Pump Facilities 0400-45-01-.17 (9) and (13)	(1-4)	4	Failure to provide duplicate well
B. Maintenance of Pumping Equipment 0400-45-01-.17(13)	(1-3)		Ok
	Deficiency Subtotal	4	

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

Requirement	Points Range	Deduction	Comments
A. Notification, Inspection, Disinfection and Sample Collection of New or Existing Facilities 0400-45-01-.17 (8) and (19)	(3-5)		OK
B. Flushing Program/Blow Offs 0400-45-01-.17(10) and (23)	(3-4)		OK
C. Fire Hydrants 0400-45-01-.17 (18)	(0)	Narrative	OK
D. Adequate Pressure 0400-45-01-.17 (9)	(5)		Ok
E. Map of Distribution System 0400-45-01-.17 (15)	(3)		OK
F. Approved Cross Connection Policy or Ordinance and Plan 0400-45-01-.17 (6)	(4)		Ok
G. Working Cross Connection Program 0400-45-01-.17(6)	(3-9)		N/A
H. Unaccounted Water Loss	(0)	Narrative	
	Deficiency Subtotal		

Total Deficiency Points: 6

Points Available: 599

Overall Rating: 98

Points Available

421 - Consecutive Systems/Distribution Only

488 - Treatment Systems/Wholesalers

599 - Both Treatment and Distribution

Inspector: Gharib A. Khan

**Additional Comments/Explanations:**

1. The Candlewood Water System now has 105 connections serving an estimated population of 308. The number of required bacteriological samples taken from the distribution system remains one (1) per month.
2. Candlewood Water System completed its nitrate and lead and copper chemical monitoring for 2018. As a reminder, please be aware that the due date for 2019 nitrate chemical monitoring is prior to September 30, 2019. Also, the due date for Haloacetic (HAA) Acids and Total Trihalomethanes (TTHM) is August 2019. Please refer to the waiver letter dated February 23, 2017 for more information regarding additional monitoring required to be conducted in 2019 and 2021.
3. According to the Revised Total Coliform Rule (RTCR), which took effect on April 1, 2016, please be aware if the sample result is positive for total fecal or E. coli, it means the laboratory found bacteria. If this occurs then the system must submit three repeat samples marked R. Repeat samples must be collected within 24-hours of being notified of the positive results. If all repeat samples are negative it means that the water system is in compliance for that month. Please refer to Rule 0400 - 45-01-.07 and 0400-45-01-.41 for more information
4. No new construction or modification may be made without approval of the Division.
5. The Candlewood Water System submitted a drought management plan to the Division in December 2018 as required. The drought management plan has been approved by the Division.

6. At the time of Sanitary Survey, it was noted that there was no water tap records. As a reminder, new service taps on existing mains that must be uncovered to make the tap, shall be flushed and free chlorine residual measured and recorded prior to connecting the service lines. These records shall be retained for three years.
7. Division Rule 0400-45-01-.41(3) (ii) requires all water system to update their wellhead protection plan every three years and submit a copy to DWR. A copy of the Wellhead Protection Plan has been submitted to DWR in September 2018.
8. Division Rule 0400-45-01-.41 requires all water system to have a written bacteriological sample site plan completed according to Revised Total Coliform Rule (RTCR) by March 31, 2016. A copy a written bacteriological sample site plan has been submitted to the Division on September 8, 2017.

# ATTACHMENT C

## Drinking Water Branch

### Violation Detail

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<b>Water System No. :</b>	TN0000797	<b>Federal Type :</b>	C
<b>Water System Name :</b>	CANDLEWOOD LAKES P.O.A. WATERWORKS	<b>State Type :</b>	C
<b>Principal County Served :</b>	HARDEMAN	<b>Primary Source :</b>	GW
<b>Status :</b>	A	<b>Activity Date :</b>	03-25-2019

<b>Violation No. :</b>	2021-208	<b>Determination Date :</b>	03-02-2021
<b>Violation Type :</b>	03	<b>Violation Name :</b>	MONITORING, ROUTINE MAJOR
<b>Violation Category :</b>	MON	<b>Status :</b>	V
<b>Analyte Code :</b>	RV	<b>Analyte Name :</b>	VOLATILE ORGANICS
<b>Compliance Period Begin Date :</b>	10-01-2020	<b>Compliance Period End Date :</b>	12-31-2020
<b>Violation Period Begin Date :</b>	10-01-2020	<b>Violation Period End Date :</b>	12-31-2020
<b>Water System Facility State Asgn ID :</b>	null	<b>Water System Facility Name :</b>	null
<b>Analysis Result :</b>			

### Enforcement Action(s)

Enforcement Action No.	Action Type	Name	Status	Date
2021-12	SIE	ST PUBLIC NOTIF REQUESTED	T	03-02-2021
2021-11	SIA	ST VIOLATION/REMINDER NOTICE	T	03-02-2021

# Drinking Water Branch

## Violation Detail

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<b>Water System No. :</b>	TN0000797	<b>Federal Type :</b>	C
<b>Water System Name :</b>	CANDLEWOOD LAKES P.O.A. WATERWORKS	<b>State Type :</b>	C
<b>Principal County Served :</b>	HARDEMAN	<b>Primary Source :</b>	GW
<b>Status :</b>	A	<b>Activity Date :</b>	03-25-2019

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**Violation No. :** 2021-212      **Determination Date :** 07-12-2021  
**Violation Type :** 03      **Violation Name :** MONITORING, ROUTINE MINOR

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**Violation Category :** MON      **Status :** V  
**Analyte Code :** RV      **Analyte Name :** VOLATILE ORGANICS

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**Compliance Period Begin Date :** 01-01-2021      **Compliance Period End Date :** 03-31-2021

**Violation Period Begin Date :** 01-01-2021      **Violation Period End Date :** 03-31-2021

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**Water System Facility State Asgn ID :** TP001      **Water System Facility Name :** WATER PLANT

**Analysis Result :**

Glossary

## Enforcement Action(s)

Enforcement Action No.	Action Type	Name	Status	Date
2021-14	SIA	ST VIOLATION/REMINDER NOTICE	T	07-12-2021
2021-15	SIE	ST PUBLIC NOTIF REQUESTED	T	07-12-2021



# Drinking Water Branch

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<b>Water System No. :</b>	TN0000797	<b>Federal Type :</b>	C
<b>Water System Name :</b>	CANDLEWOOD LAKES P.O.A. WATERWORKS	<b>State Type :</b>	C
<b>Principal County Served :</b>	HARDEMAN	<b>Primary Source :</b>	GW
<b>Status :</b>	A	<b>Activity Date :</b>	03-25-2019

<b>Violation No. :</b>	2016-97	<b>Determination Date :</b>	11-02-2016
<b>Violation Type :</b>	03	<b>Violation Name :</b>	MONITORING, ROUTINE MAJOR
<b>Violation Category :</b>	MON	<b>Status :</b>	V
<b>Analyte Code :</b>	SOC3	<b>Analyte Name :</b>	SOC3
<b>Compliance Period Begin Date :</b>	01-01-2014	<b>Compliance Period End Date :</b>	12-31-2016
<b>Violation Period Begin Date :</b>	01-01-2014	<b>Violation Period End Date :</b>	12-31-2016
<b>Water System Facility State Asgn ID :</b>	TP001	<b>Water System Facility Name :</b>	WATER PLANT
<b>Analysis Result :</b>			

## Enforcement Action(s)

Enforcement Action No.	Action Type	Name	Status	Date
2016-10	SIE	ST PUBLIC NOTIF REQUESTED	T	08-12-2016
2016-9	SIA	ST VIOLATION/REMINDER NOTICE	T	08-12-2016

# Drinking Water Branch

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<b>Water System No. :</b>	TN0000797	<b>Federal Type :</b>	C
<b>Water System Name :</b>	CANDLEWOOD LAKES P.O.A. WATERWORKS	<b>State Type :</b>	C
<b>Principal County Served :</b>	HARDEMAN	<b>Primary Source :</b>	GW
<b>Status :</b>	A	<b>Activity Date :</b>	03-25-2019

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<b>Violation No. :</b>	2011-3	<b>Determination Date :</b>	01-07-2011
<b>Violation Type :</b>	22	<b>Violation Name :</b>	MCL (TCR), MONTHLY
<b>Violation Category :</b>	MCL	<b>Status :</b>	V

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<b>Analyte Code :</b>	3100	<b>Analyte Name :</b>	COLIFORM (TCR)
<b>Compliance Period Begin Date :</b>	11-01-2010	<b>Compliance Period End Date :</b>	11-30-2010

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<b>Violation Period Begin Date :</b>	11-01-2010	<b>Violation Period End Date :</b>	11-30-2010
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<b>Water System Facility State Asgn ID :</b>	null	<b>Water System Facility Name :</b>	null
<b>Analysis Result :</b>			

Glossary

## Enforcement Action(s)

Enforcement Action No.	Action Type	Name	Status	Date
2011-6	SIA	ST VIOLATION/REMINDER NOTICE	T	01-07-2011
2011-7	SIE	ST PUBLIC NOTIF REQUESTED	T	01-07-2011
2011-8	SOX	ST COMPLIANCE ACHIEVED	T	12-31-2010

# BALANCE SHEET

	Year 1	Year 2	Year 3
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ -
Accounts Recievable	\$ 28,573	\$ 28,573	\$ 28,573
Total Current Assets	\$ 28,573	\$ 28,573	\$ 28,573
Property, Plant, and Equipment	\$ 2,184,250	\$ 2,557,500	\$ 2,557,500
Preliminary Survey	\$ 189,000	\$ -	\$ -
Total Long-Term Assets	\$ 2,373,250	\$ 2,557,500	\$ 2,557,500
<b>Total Assets</b>	<b>\$ 2,401,823</b>	<b>\$ 2,586,073</b>	<b>\$ 2,586,073</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 30,636	\$ 30,636	\$ 30,636
Accrued Interest	\$ 98,291	\$ 213,379	\$ 328,466
Total Current Liabilities	\$ 128,927	\$ 244,015	\$ 359,102
Notes Payable	\$ 1,092,125	\$ 1,278,750	\$ 1,278,750
Working Capital Transfer from Parent	\$ 215,362	\$ 445,851	\$ 676,339
Total Long-Term Liabilities	\$ 1,307,487	\$ 1,724,601	\$ 1,955,089
<b>Total Liabilities</b>	<b>\$ 1,436,414</b>	<b>\$ 1,968,615</b>	<b>\$ 2,314,191</b>
<b>EQUITY</b>			
Equity Capital Contributed	\$ 1,281,125	\$ 1,278,750	\$ 1,278,750
Retained Earnings	\$ (315,716)	\$ (661,292)	\$ (1,006,868)
Total Equity	\$ 965,409	\$ 617,458	\$ 271,882
<b>Total Liabilities and Equity</b>	<b>\$ 2,401,823</b>	<b>\$ 2,586,073</b>	<b>\$ 2,586,073</b>

EXHIBIT

tabbies

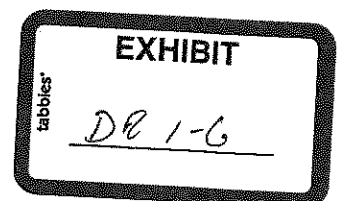
DR-1-5

# BALANCE SHEET

	Year 1	Year 2	Year 3
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ -
Accounts Recievable	\$ 3,821	\$ 3,821	\$ 3,821
Total Current Assets	\$ 3,821	\$ 3,821	\$ 3,821
Property, Plant, and Equipment	\$ 307,500	\$ 623,500	\$ 623,500
Preliminary Survey	\$ 68,500	\$ -	\$ -
Total Long-Term Assets	\$ 376,000	\$ 623,500	\$ 623,500
<b>Total Assets</b>	<b>\$ 379,821</b>	<b>\$ 627,321</b>	<b>\$ 627,321</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 5,791	\$ 5,791	\$ 5,791
Accrued Interest	\$ 13,838	\$ 41,895	\$ 69,953
Total Current Liabilities	\$ 19,629	\$ 47,686	\$ 75,744
Notes Payable	\$ 153,750	\$ 311,750	\$ 311,750
Working Capital Transfer from Parent	\$ 48,255	\$ 109,540	\$ 170,825
Total Long-Term Liabilities	\$ 202,005	\$ 421,290	\$ 482,575
<b>Total Liabilities</b>	<b>\$ 221,634</b>	<b>\$ 468,976</b>	<b>\$ 558,319</b>
<b>EQUITY</b>			
Equity Capital Contributed	\$ 222,250	\$ 311,750	\$ 311,750
Retained Earnings	\$ (64,063)	\$ (153,405)	\$ (242,748)
Total Equity	\$ 158,188	\$ 158,345	\$ 69,003
<b>Total Liabilities and Equity</b>	<b>\$ 379,821</b>	<b>\$ 627,321</b>	<b>\$ 627,321</b>

# INCOME STATEMENT

	Year 1	Year 2	Year 3
<b>OPERATING REVENUE</b>			
Metered service revenue	\$ 3,100	\$ 3,100	\$ 3,100
Flat rate service revenue	\$ 26,347	\$ 26,347	\$ 26,347
EPA testing surcharge	\$ -	\$ -	\$ -
Re-connect fees	\$ 620	\$ 620	\$ 620
Returned check charge	\$ 310	\$ 310	\$ 310
Late payment charge	\$ 620	\$ 620	\$ 620
Other operating revenue	\$ -	\$ -	\$ -
<b>Total Operating Revenue</b>	<b>\$ 30,996</b>	<b>\$ 30,996</b>	<b>\$ 30,996</b>
<b>OPERATING EXPENSES</b>			
Total salaries and wages (employees only)	\$ -	\$ -	\$ -
Outside labor expenses (non-employees)	\$ 47,000	\$ 47,000	\$ 47,000
Administrative and office expense	\$ 6,827	\$ 6,827	\$ 6,827
Maintenance and repair expense	\$ -	\$ -	\$ -
Purchased water	\$ -	\$ -	\$ -
Purchased sewage treatment	\$ -	\$ -	\$ -
Electric power expense (exclude office)	\$ 11,400	\$ 11,400	\$ 11,400
Chemicals expense	\$ 2,280	\$ 2,280	\$ 2,280
Testing fees	\$ -	\$ -	\$ -
Transportation expense	\$ -	\$ -	\$ -
Other operating expense	\$ 2,952	\$ 2,952	\$ 2,952
<b>Total Operating Expenses</b>	<b>\$ 70,459</b>	<b>\$ 70,459</b>	<b>\$ 70,459</b>
Annual Depreciation Expense	\$ 10,763	\$ 21,823	\$ 21,823
Interest Expense	\$ 13,838	\$ 28,058	\$ 28,058
<b>Total Expenses</b>	<b>\$ 95,059</b>	<b>\$ 120,339</b>	<b>\$ 120,339</b>
<b>INCOME TAXES</b>			
Total Income Taxes	\$ -	\$ -	\$ -
<b>Net income (Loss)</b>	<b>\$ (64,063)</b>	<b>\$ (89,343)</b>	<b>\$ (89,343)</b>



# INCOME STATEMENT

	Year 1	Year 2	Year 3
<b>OPERATING REVENUE</b>			
Metered service revenue	\$ 23,176	\$ 23,176	\$ 23,176
Flat rate service revenue	\$ 196,995	\$ 196,995	\$ 196,995
EPA testing surcharge	\$ -	\$ -	\$ -
Re-connect fees	\$ 4,635	\$ 4,635	\$ 4,635
Returned check charge	\$ 2,318	\$ 2,318	\$ 2,318
Late payment charge	\$ 4,635	\$ 4,635	\$ 4,635
Other operating revenue	\$ -	\$ -	\$ -
<b>Total Operating Revenue</b>	<b>\$ 231,759</b>	<b>\$ 231,759</b>	<b>\$ 231,759</b>
<b>OPERATING EXPENSES</b>			
Total salaries and wages (employees only)	\$ -	\$ -	\$ -
Outside labor expenses (non-employees)	\$ 188,529	\$ 188,529	\$ 188,529
Administrative and office expense	\$ 37,750	\$ 37,750	\$ 37,750
Maintenance and repair expense	\$ 20,611	\$ 20,611	\$ 20,611
Purchased water	\$ 38,235	\$ 38,235	\$ 38,235
Purchased sewage treatment	\$ -	\$ -	\$ -
Electric power expense (exclude office)	\$ 67,200	\$ 67,200	\$ 67,200
Chemicals expense	\$ 2,290	\$ 2,290	\$ 2,290
Testing fees	\$ -	\$ -	\$ -
Transportation expense	\$ -	\$ -	\$ -
Other operating expense	\$ 18,120	\$ 18,120	\$ 18,120
<b>Total Operating Expenses</b>	<b>\$ 372,735</b>	<b>\$ 372,735</b>	<b>\$ 372,735</b>
Annual Depreciation Expense	\$ 76,449	\$ 89,513	\$ 89,513
Interest Expense	\$ 98,291	\$ 115,088	\$ 115,088
<b>Total Expenses</b>	<b>\$ 547,475</b>	<b>\$ 577,335</b>	<b>\$ 577,335</b>
<b>INCOME TAXES</b>			
Total Income Taxes	\$ -	\$ -	\$ -
<b>Net income (Loss)</b>	<b>\$ (315,716)</b>	<b>\$ (345,576)</b>	<b>\$ (345,576)</b>