

# Office of the Attorney General



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August 16, 2021

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Re: Tennessee Public Utility Commission, Docket No. 21-00060, *Application of Limestone Water Utility Operating Company, LLC for Authority to Purchase Title to the Assets, Property, and Real Estate of a Wastewater System, Chapel Woods, and for a Certificate of Public Convenience and Necessity.*

Dear Mr. Welch:

The Consumer Advocate has reviewed Limestone Water Utility Operating Company, LLC's ("Limestone") Petition in the above-referenced Docket. The Consumer Advocate has reviewed Limestone's compliance with the minimum requirements for an amendment to a Certificate of Convenience and Necessity (CCN), which is set out in TPUC Rule 1220-04-13-.17 and the minimum requirements for an acquisition, which is set out in TPUC Rule 1220-04-14-.08.

The Consumer Advocate appreciates the time and effort that Limestone put into compiling its Petition, as well as Limestone's attention to the Commission's Minimum Filing Requirements. The Consumer Advocate could not, however, locate or seek clarification on the items set out in Attachment A, relating to compliance with TPUC Rule 1220-04-13-.17. Please review this attachment and respond as requested.

The Consumer Advocate could not, however, locate or seek clarification on the items set out in Attachment B, relating to compliance with TPUC Rule 1220-04-13-.08. The Consumer Advocate is aware that while the Commission has approved<sup>1</sup> TPUC Rule 1220-04-14-.08, titled "Application for Acquisitions and Filing Requirements," the Rule is not officially effective.<sup>2</sup> For

<sup>1</sup> *Final Order Adopting Rules to Establish the Procedural and Substantive Standards for Evaluation of Public Utility Acquisitions*, TPUC Docket No. 20-00025 (July 16, 2021).

<sup>2</sup> *Rulemaking Hearing Rules Filing Form (Signed)*, TPUC Docket No. 2021 (August 13, 2021). The effective date of the rule is November 11, 2021. *Id.*

convenience, we have provided the Acquisition Rule as Attachment C. The Acquisition Rule provides an excellent framework for reviewing and evaluating the proposed acquisition in this Docket. The Commission likely will expect Limestone to provide information and documentation commensurate with the Acquisition Rule's dictates. Accordingly, the Consumer Advocate requests that Limestone fully review these rules and provide information and clarification to satisfy each of the rule's provisions. Please review the Consumer Advocate's Review in Attachment B and the Acquisition Rule in Attachment B and respond as requested.

The Consumer Advocate would like to thank, in advance, Limestone's attention to the Consumer Advocate's requests. If you have questions regarding this request, please contact me at (615) 741-2370.

Respectfully,



Karen H. Stachowski  
Senior Assistant Attorney General

cc: TPUC Docket Manager

Rule 1220-04-13-.17(2)(a) General Information

1. *Rule 1220-04-13-.17(2)(a)7.* The map provided is not legible.<sup>1</sup> Additionally, Limestone states that “[m]aps depicting the area served by Chapel Woods are on file with the Commission, and those maps are incorporated into the Application by reference.”<sup>2</sup> Chapel Woods has not been before the Commission; therefore, no maps are on file with the Commission. The Consumer Advocate utilized TDEC’s Water Resources Permit Dataviewer<sup>3</sup> to locate publicly available documents. Chapel Woods submitted a plat map to the Marshall County Planning Commission which was approved by the Marshall County Codes Department.<sup>4</sup> Chapel Woods also identified the lots for which there were sewer commitments and provided it to the Tennessee Department of Environment and Conservation (TDEC).<sup>5</sup> If Chapel Woods no longer has copies of these documents, Limestone may need to file Public Records Requests with TDEC and Marshall County. Please provide maps that meet the requirements set forth in Tenn. Comp. R. & Regs. 1220-04-13-.17(2)(a)7(i)-(v).

Rule 1220-04-13-.17(2)(c) Sufficient Managerial Ability

1. *Rule 1220-04-13-.17(2)(c)3.* The Consumer Advocate could not locate “copies of all contracts related to any pending merger or acquisition of” Limestone or Limestone’s corporate parent or affiliate. Please provide the required information.

Rule 1220-04-13-.17(2)(d) Sufficient Technical Ability

1. *Rule 1220-04-13-.17(2)(d)1.* Limestone provided the existing permit as Exhibit 16 to the Petition. Again, the Consumer Advocate utilized TDEC’s Water Resources Permit Dataviewer<sup>6</sup> to locate publicly available documents. During this review, the Consumer Advocate located the Permit Application<sup>7</sup> and TDEC’s Letter of Complete Application.<sup>8</sup> However, the Consumer Advocate could not locate “any engineering and/or design reports submitted to TDEC, such as the Design Development Report and the Detailed Soils Investigation Report.” If Chapel Woods no longer has copies of these documents,

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<sup>1</sup> Petition, Exhibit 1.

<sup>2</sup> Petition, Appendix A, No. 7, p. 15.

<sup>3</sup> TDEC D Water Resources’ Permit Dataviewer is located at [https://dataviewers.tdec.tn.gov/pls/enf\\_reports/f?p=9034:34001](https://dataviewers.tdec.tn.gov/pls/enf_reports/f?p=9034:34001).

<sup>4</sup> Chapel Woods’ Response to TDEC’s Request for Information, TN0062073 (December 22, 2017). A copy of this letter is attached as Exhibit CA-MFR-1.

<sup>5</sup> TDEC Status Update Subsequent to Request for Information, TN0062073 (February 7, 2018). A copy of this letter is attached as Exhibit CA-MFR-2.

<sup>6</sup> TDEC D Water Resources’ Permit Dataviewer is located at [https://dataviewers.tdec.tn.gov/pls/enf\\_reports/f?p=9034:34001](https://dataviewers.tdec.tn.gov/pls/enf_reports/f?p=9034:34001).

<sup>7</sup> NPDES Permit Application of Chapel Woods HOA, TN0062073 (March 28, 2018). A copy of this application is attached as Exhibit CA-MFR-3.

<sup>8</sup> Notice of Complete Application for NPDES Permit, TN0062073 (April 3, 2018). A copy of this letter is attached as Exhibit CA-MFR-4.

Limestone may need to file Public Records Requests with TDEC. Please provide the required information.

2. *Rule 1220-04-13-.17(2)(d)4.* In the Petition, Limestone states that there are currently no complaints or notices of violation or administrative action issued by any federal, state, or local regulatory agency;<sup>9</sup> however, the Consumer Advocate interprets the rule to require a list of *any* complaints—not just current complaints—relating to the Chapel Woods wastewater system, as well as an explanation of how the issue was or is being resolved. Once again, the Consumer Advocate utilized TDEC's Water Resources Permit Dataviewer<sup>10</sup> to find any publicly available documents. The Consumer Advocate located correspondence about two Compliance Evaluation Inspection (CEI) Letters.

➤ The first CEI Letter<sup>11</sup> identified documentation that needed to be provided to TDEC:

- Discussions during the inspection indicated that the treatment plant experiences inflow & infiltration (I&I) during some rain events. A collections maintenance program needs to be adopted to determine the cause and location of the I&I. Septic tanks installed at each home should have a water-tight seal and proper fittings used to connect the piping from the septic tank to the gravity sewer line.
- The metal treatment reactor has developed external rust along the top two sections of the unit which needs to be addressed. Iron content from inside of this tank is affecting the output of the ultraviolet (UV) disinfection unit.

➤ The second CEI Letter<sup>12</sup> identified an issue of concern:

- Monthly Operation Reports (MORs) are being submitted to the Columbia Environmental Field Office. The iron content from the rust on the inside of the reactor still blocks the effectiveness of the UV system, causing occasional E-coli violations. The plant uses bleach to disinfect prior to the UV disinfection in an attempt to prevent future violations. The plant uses Norweco Bio-Max tablets to dechlorinate the wastewater.

The Consumer Advocate was unable to locate Chapel Woods' responses to TDEC following the two CEI Letters. The Consumer Advocate requests that you provide Chapel Woods' responses and provide any other similar correspondence between TDEC and Chapel Woods. If Chapel Woods no longer has copies of these documents, Limestone may need to file Public Records Requests with TDEC. Please provide the required information.

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<sup>9</sup> *Petition*, Appendix A, p. 16.

<sup>10</sup> TDEC D Water Resources' Permit Dataviewer is located [https://dataviewers.tdec.tn.gov/pls/enf\\_reports/f?p=9034:34001](https://dataviewers.tdec.tn.gov/pls/enf_reports/f?p=9034:34001).

<sup>11</sup> *TDEC Compliance Evaluation Inspection Letter*, TN0062073 (July 16, 2018). A copy of this first CEI Letter is attached as Exhibit CA-MFR-5.

<sup>12</sup> *TDEC Compliance Evaluation Inspection Letter*, TN0062073 (July 27, 2020). A copy of this first CEI Letter is attached as Exhibit CA-MFR-6. (Emphasis added).

Rule 1220-04-13-.17(2)(e) Sufficient Financial Ability

1. *Rule 1220-04-13-.17(2)(e)2.* In the Petition, the Consumer Advocate located only two years of Pro forma income statements.<sup>13</sup> However, the rule requires the wastewater utility to provide “Pro forma income statements . . . for the first three (3) years of operations. . . In the calculations of utility revenues show the number of consumers and the rates used in the calculations. Show operation and maintenance expenses by account number and provide the basis and/or assumptions used to arrive at these amounts.” Please provide this required information.
2. *Rule 1220-04-13-.17(2)(e)5.* In its Petition, Limestone states that it will be using depreciation rates last approved by the Commission for Chapel Woods. However, Chapel Woods has not appeared before the Commission requesting authorization of depreciation rates. Please provide the required “depreciation rates the applicant intends to use for each plant account that will be on the wastewater utility's books. Include the estimated useful life of each account. If no depreciation study has been performed, explain the basis for these rates.” Please provide this required information.
3. *Rule 1220-04-13-.17(2)(e)7.* In TDEC’s Notice of Violation, TDEC stated that the plant was owned by Chapel Woods, but the property itself was owned by Connelly Group.<sup>14</sup> Chapel Woods informed TDEC that an agreement to transfer the property was signed June 10, 2017.<sup>15</sup> The warranty deed was drawn and recorded with the Marshall County Register of Deeds on January 26, 2018. Since Chapel Woods has not appeared before the Commission, it is the Consumer Advocate’s position that the deed showing ownership by Chapel Woods should be filed with the Commission. If Chapel Woods no longer has copies of these documents, Limestone may need to file a Public Records Requests with TDEC. Please provide this required information.
4. *Rule 1220-04-13-.17(2)(e)8.* In Exhibit 20<sup>16</sup> to the Petition, Limestone included a Tariff for “Berkshire Glen/Walnut Hills Estates, Bar-B Acres, Countryside Meadows Subdivision, Wil-Mar Estates Subdivision, Fox Run Subdivision, Country Hills Subdivision, and Private Gardens-Prairie Field.” Also, Sheet 2 of the Tariff shows no “Schedule of Rates.” However, Josiah Cox stated that initially Limestone proposes to adopt Chapel Woods rates.<sup>17</sup> In a Request for Information (RFI), TDEC requested the sewer service agreements, the planned rates structure for services and the basis for the

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<sup>13</sup> *Petition*, Exhibit 11 (CONFIDENTIAL).

<sup>14</sup> *TDEC Notice of Violation* (NOV), TN0062073 (September 10, 2015). A copy of the NOV is attached as Exhibit CA-MFR-7.

<sup>15</sup> Exhibit CA-MFR-1.

<sup>16</sup> *Petition*, Exhibit 20, Sheet 4.

<sup>17</sup> *Petition*, Exhibit 9.

establishment of the rates. If Chapel Woods no longer has copies of these documents, Limestone may need to file a Public Records Requests with TDEC. The proposed Tariff appears to be for different developments and does not set out the rates. Please file a corrected Tariff in this Docket.

5. *Rule 1220-04-13-.17(2)(e)13.* This rule requires a demonstration of compliance with the financial security requirements set forth in Rule 1220-04-13-.07(2)(b), which states that:

On or before July 1 of each year, any public wastewater utility holding a CCN and providing service shall file proof with the Commission of a security in the amount of fifty percent (50%) of annual wastewater revenues in the most recent annual or \$20,000, whichever is greater. The minimum financial security amount is \$20,000.

Limestone's filing shows a financial security of \$20,000.00.<sup>18</sup> Please confirm whether this amount was filed due to a lack of a full year of revenue for Limestone.

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<sup>18</sup> *Petition*, Exhibit 14.

Rule 1220-04-14-.08(2) Acquisitions

1. *Rule 1220-04-14-.08(2)a.* In its *Petition*, Limestone provided the following as attachments to its Purchase and Sale Agreement:<sup>1</sup>

- **Exhibit A** - Service Area Description. No information was provided.
- **Exhibit B** - Description of Land, etc. No information was provided.
- **Exhibit C** - Personal Property and Equipment. No information was provided.
- **Exhibit D** - Rights Via Agreements, Contracts, Misc. No information was provided.

The Consumer Advocate could not locate “a fully executed acquisition agreement, including all attachments, reflecting the terms and provisions of the acquisition transaction.” Please provide this information.

2. *Rule 1220-04-14-.08(2)b.* The Consumer Advocate reviewed the confidential financial information provided in Exhibit 11 to the *Petition*. These financials were for CSWR, LLC. The rule requires “financial statements, including a balance sheet and income statement of the selling utility’s [Chapel Woods] three most recently completed fiscal years and reporting periods at the time the application for acquisition is filed.”<sup>2</sup>

The Tennessee Department of Environment and Conservation (TDEC) sent a request for information that included a request for “a financial audit or equivalent, of the entity less than 2 years old.”<sup>3</sup> In Chapel Woods’ response, it stated that it would “complete by 2/02/18 a financial statement of Fiscal 2017 for [Chapel Woods] including expenses and revenue streams such as regular dues, collections and tap fees with a summary of the number of homes present and at build out with an indication of the payment status for present homes. If the market demand continues, we would expect Build out within 1-2 years.”<sup>4</sup>

Additionally, TDEC explained that Chapel Woods did not have a reserve fund as required in Chapel Woods’ permit.<sup>5</sup> Chapel Woods is also required to file an annual report about the reserve fund.<sup>6</sup> In its response, Chapel Woods stated that as of October 2015 it had established a separate savings account to serve as the Reserve Fund amounting to \$5,000.<sup>7</sup>

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<sup>1</sup> *Petition*, Exhibit 7 (CONFIDENTIAL).

<sup>2</sup> Emphasis added.

<sup>3</sup> *TDEC’s Request for Information* (RFI), TN0062073 (December 6, 2017). A copy of this letter is attached as Exhibit CA-MFR-8.

<sup>4</sup> *Chapel Woods’ Response to TDEC’s Request for Information*, TN0062073 (December 22, 2017). A copy of this letter is attached as Exhibit CA-MFR-1.

<sup>5</sup> *TDEC Notice of Violation*, TN0062073 (September 10, 2015). A copy of the NOV is attached as Exhibit CA-MFR-7.

<sup>6</sup> *Id.*

<sup>7</sup> *Chapel Woods Response to TDEC’s Notice of Violation*, TN0062073 (October 26, 2015). A copy of this letter is attached as Exhibit CA-MFR-9.



In its supplemental response, Chapel Woods stated that it expected the Savings Account to top \$10,000 before the end of 2015.<sup>8</sup> Please provide this information.

3. If Chapel Woods no longer has copies of these documents, Limestone may need to file a Public Records Requests with TDEC. Please provide the required “financial statements, including a balance sheet and income statement, of the selling utility’s three most recently completed fiscal years or reporting periods at the time the application for acquisition is filed.” Please provide this information.
4. *Rule 1220-04-14-.08(2)c.* The Consumer Advocate could not locate Chapel Woods’ current tariff. In a Request for Information (RFI), TDEC requested the sewer service agreements, the planned rates structure for services and the basis for the establishment of the rates. TDEC explained that it would look at the planned rate structure and service agreements when considering issuance of the permit renewal.<sup>9</sup> If Chapel Woods no longer has copies of these documents, Limestone may need to file a Public Records Requests with TDEC. Please provide “all tariffs, schedules or lists detailing the rates, charges and terms of service in effect for the selling utility at the time the application for acquisition is filed.”
5. *Rule 1220-04-14-.08(2)d.* The Consumer Advocate could not locate a “schedule detailing the number of customers by customer class served by the selling utility.” which is required at the time the application for acquisition is filed. Please provide this information.
6. *Rule 1220-04-14-.08(2)e.* The map provided is not legible.<sup>10</sup> Additionally, Limestone states that “[m]aps depicting the area served by Chapel Woods are on file with the Commission, and those maps are incorporated into the Application by reference.”<sup>11</sup> Chapel Woods has not been before the Commission; therefore, no maps are on file with the Commission. The Consumer Advocate utilized TDEC’s Water Resources Permit Dataviewer<sup>12</sup> to locate publicly available documents. Chapel Woods submitted a plat map to the Marshall County Planning Commission which was approved by Marshall County Codes Department.<sup>13</sup> Chapel Woods also identified the lots for which there were sewer commitments and provided it to TDEC.<sup>14</sup> If Chapel Woods no longer has copies of these documents, Limestone may need to file a Public Records Requests with TDEC and Marshall County. Please provide this information.

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<sup>8</sup> *Chapel Woods Supplemental Response to TDEC’s Notice of Violation*, TN0062073 (November 19, 2015). A copy of this letter is attached as Exhibit CA-MFR-10.

<sup>9</sup> *TDEC Status Update Subsequent to Request for Information*, TN0062073 (February 7, 2018). A copy of this letter is attached as Exhibit CA-MFR-2.

<sup>10</sup> *Petition*, Exhibit 1.

<sup>11</sup> *Petition*, Appendix A, p. 15, (2)(a)(7).

<sup>12</sup> TDEC D Water Resources’ Permit Dataviewer is located at [https://dataviewers.tdec.tn.gov/pls/enf\\_reports/f?p=9034:34001](https://dataviewers.tdec.tn.gov/pls/enf_reports/f?p=9034:34001).

<sup>13</sup> Exhibit CA-MFR-1.

<sup>14</sup> Exhibit CA-MFR-2.



7. *Rule 1220-04-14-.08(2)f.* Per the rule, Chapel Woods' forecasted income statement is required. The *Petition* includes the forecasted income statement of Limestone, but not the forecasted income statement for Chapel Woods. Please provide this information.
8. *Rule 1220-04-14-.08(2)g.* In his testimony, Josiah Cox discusses many planned improvements.<sup>15</sup> However, the Consumer Advocate could not locate the "anticipated capital budgets based on due diligence detailing by project all projected post-acquisition capital investments in property, plant and equipment attributable to the selling utility's system or service area for the three-year period following the estimated closing date of the acquisition transaction." Please provide this information.
9. *Rule 1220-04-14-.08(2)h.* The Consumer Advocate could not locate "a schedule detailing the computation of regulatory, transaction and closing costs related to the proposed acquisition and the amount of such costs requested for recovery from the acquiring utility's customers." Please provide this information.
10. *Rule 1220-04-14-.08(2)i.* The Consumer Advocate could not locate "a statement fully explaining the proposed methodology for valuing the acquired assets to be incorporated into the acquired rate base under Rule 1220-04-14-.03." Please provide this information.
11. *Rule 1220-04-14-.08(2)j.* The Consumer Advocate could not locate "a schedule and supporting workpapers detailing the computation of the value of the acquired assets requested for inclusion in the acquired rate base under Rule 1220-04-14-.03." Please provide this information.
12. *Rule 1220-04-14-.08(2)k.* The Consumer Advocate could not locate "a schedule and supporting workpapers detailing the computation of any proposed acquisition adjustment requested for inclusion in the acquired rate base under Rule 1220-04-14-.04." Please provide this information.
13. *Rule 1220-04-14-.08(2)l.* The Consumer Advocate could not locate "a statement discussing the factor(s) supporting any proposed acquisition adjustment to be incorporated in the acquired rate base under Rule 1220-04-14-.04, including the particular benefits, costs, or service changes, if any, that affect acquired customers and/or existing customers." Please provide this information.
14. *Rule 1220-04-14-.08(2)m.* The Consumer Advocate could not locate "a schedule identifying any assets that were contributed or donated to the selling utility that are included in the acquisition transaction." Please provide this information.
15. *Rule 1220-04-14-.08(2)n(i-iii).* In his testimony,<sup>16</sup> Mr. Cox stated that "given the additional capital investment needed for system upgrades and improvements - Limestone may petition the Commission to increase rates or change certain operating regulations. Limestone may also seek to consolidate rates of the system it proposed to acquire in this case with those of

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<sup>15</sup> *Petition*, Exhibit 9, pp. 8-11, 13.

<sup>16</sup> *Id.* at pp. 13-14.

other wastewater systems it operates in Tennessee.” Mr. Cox does not, however, discuss the proposed methodology and rate design for recovery. Please provide “a statement discussing the proposed methodology and rate design for recovery from customers of any requested: (i) acquisition adjustment; (ii) costs of post-acquisition capital investments; or (iii) regulatory, transaction and closing costs.” Please provide this information.

16. *Rule 1220-04-14-.08(2)o.* Please provide a schedule detailing the pro-forma accounting entries for recording the proposed acquisition transaction in accordance with the Uniform System of Accounts. Please provide this information.
17. *Rule 1220-04-14-.08(2)p.* Although Mr. Cox states that “Limestone proposes to adopt the tariffs, rules and rates currently in effect,”<sup>17</sup> the Consumer Advocate could not locate “a schedule detailing the computation of post-acquisition rates and charges proposed for acquired customers by customer class.” Please provide this information.
18. *Rule 1220-04-14-.08(2)q.* The Consumer Advocate could not locate “a schedule comparing the pre-acquisition and proposed post-acquisition rates and charges for acquired customers by customer class. As explained in Item 3 above, the Consumer Advocate could not locate Chapel Woods’ current tariff. TDEC requested the sewer service agreements, the planned rates structure for services and the basis for the establishment of the rates. TDEC explained that it would look at the planned rate structure and service agreements when considering issuance of the permit renewal.<sup>18</sup> So, if Chapel Woods no longer has copies of these documents, Limestone may need to file a Public Records Requests with TDEC. In Exhibit 20,<sup>19</sup> Limestone provided a proposed tariff that appears to be for the wrong developments and is missing the proposed rates. Please provide the requested information.
19. *Rule 1220-04-14-.08(2)r.* The Consumer Advocate could not locate “a schedule detailing the computation of post-acquisition rates and charges proposed for existing customers by customer class.” Please provide this information.
20. *Rule 1220-04-14-.08(2)s.* The Consumer Advocate could not locate a schedule comparing the pre-acquisition and proposed post-acquisition rates and charges for existing customers by customer class. Please provide this information.
21. *Rule 1220-04-14-.08(4).* In Appendix A of the *Petition*,<sup>20</sup> Limestone states it will charge the rates in Chapel Woods’ tariff and that it is being incorporated by reference. Per the rules, please file the proposed tariff incorporating the Chapel Woods’ customers into Limestone’s rates, charges and terms of provisioning public utilities services.

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<sup>17</sup> *Id.* at p. 13

<sup>18</sup> Exhibit CA-MFR-2.

<sup>19</sup> *Petition*, Exhibit 20, Sheet 4.

<sup>20</sup> *Petition*, Appendix A, p. 17, No. (2)(e)(7),

22. *Rule 1220-04-14-.08(5)*. Limestone provided a copy of the draft Customer Notification Letter.<sup>21</sup> In the draft letter, Limestone states that it and Chapel Woods filed a joint petition; however, this is incorrect. Chapel Woods has not joined as a Party. As a result, the Consumer Advocate filed a *Motion for Joinder of Necessary Party*.<sup>22</sup> Also, Limestone states that it will make numerous improvements, but no mention is made that such improvements may require a request to increase rates at a later date. Please provide a revised draft Customer Notice Letter.

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<sup>21</sup> *Petition*, Exhibit 13.

<sup>22</sup> *Consumer Advocate Motion for Joinder of Necessary Party*, TPUC Docket No. 21-00060 (July 18, 2021).

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20-00025

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Sequence Number: 08-10-21

Rule ID(s): 9589

File Date: 8/10/2021

Effective Date: 11/8/2021

## Rulemaking Hearing Rule(s) Filing Form

*Rulemaking Hearing Rules are rules filed after and as a result of a rulemaking hearing (Tenn. Code Ann. § 4-5-205).**Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).*

**Agency/Board/Commission:** Tennessee Public Utility Commission  
**Division:** Utilities / Legal  
**Contact Person:** Kelly Cashman-Grams  
**Address:** 502 Deaderick Street, 4<sup>th</sup> Floor, Nashville  
**Zip:** 37243  
**Phone:** 615-770-6856  
**Email:** [Kelly.Grams@tn.gov](mailto:Kelly.Grams@tn.gov)

**Revision Type (check all that apply):**

☐ Amendment  
☒ New  
☐ Repeal

**Rule(s)** (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please make sure that ALL new rule and repealed rule numbers are listed in the chart below. Please enter only ONE Rule Number/Rule Title per row.)

Chapter Number	Chapter Title
1220-04-14	Utility Acquisitions
Rule Number	Rule Title
1220-04-14-.01	Definitions
1220-04-14-.02	Powers and Standard of Review
1220-04-14-.03	Value of Acquired Assets
1220-04-14-.04	Acquisition Adjustment
1220-04-14-.05	Post-Acquisition Capital Investments
1220-04-14-.06	Regulatory, Transaction and Closing Costs
1220-04-14-.07	Post-Acquisition Rates and Charges
1220-04-14-.08	Application for Acquisition and Filing Requirements

Place substance of rules and other info here. Please be sure to include a detailed explanation of the changes being made to the listed rule(s). Statutory authority must be given for each rule change. For information on formatting rules go to <https://sos.tn.gov/products/division-publications/rulemaking-guidelines>.

Chapter 1220-04-14 Utility Acquisitions is created by the following language in its entirety:

**Rule 1220-04-14-.01 Definitions.**

- (1) "Acquired customers" means all customers of all classes served by the selling utility who will be served by the acquiring utility in the event the Commission approves the application for acquisition.
- (2) "Acquired rate base" means the amount of the selling utility's assets and acquisition adjustment, if any, the Commission determines should be incorporated into the acquiring utility's rate base for ratemaking purposes pursuant to Rule 1220-04-14-.03 and Rule 1220-04-14-.04.
- (3) "Acquiring utility" means a public utility subject to the jurisdiction of the Commission that provides electric, natural gas, water or wastewater public utilities services that is purchasing or acquiring a selling utility or a selling utility's assets as a result of a voluntary arms-length transaction.
- (4) "Acquisition adjustment" means the amount, whether positive or negative, the Commission determines should be incorporated into the acquired rate base under Rule 1220-04-14-.04.
- (5) "Average embedded cost" means an acquiring utility's plant in service, less associated accumulated reserve as recorded in the Uniform System of Accounts for the type of utility plant being acquired from the selling utility, divided by the acquiring utility's existing customers.
- (6) "Existing customers" means all customers of all classes served by the acquiring utility immediately prior to the Commission's hearing and consideration of the application for acquisition.
- (7) "Negotiated sales price" means the purchase price of the utility assets that the acquiring utility and the selling utility agree upon through voluntary, arms-length negotiations.
- (8) "Rate base" means the amount of property, plant and equipment that is used and useful in providing public utilities services and upon which the acquiring utility is permitted to earn an authorized rate of return approved by the Commission.
- (9) "Reproduction cost new less depreciation" means an estimate of the cost to construct, at current prices, an exact duplicate or replica of the utility assets, without regard to the original sources of funding for those assets, using the same material, construction standards, design, layout, and quality without adjustment for deficiencies and obsolescence of those assets, less depreciation.
- (10) "Selling utility" means any provider of electric, natural gas, water or wastewater public utilities services in Tennessee that is being, or whose assets are being, purchased by an acquiring utility as a result of a voluntary arms-length transaction.

Authority: T.C.A. §§ 65-2-102 and 65-5-101 *et seq.*

**Rule 1220-04-14-.02 Powers and Standard of Review.**

- (1) The Commission retains its regulatory authority, jurisdiction, and discretion as provided under Title 65, including as follows:

- (a) The Commission has the authority after public notice and hearing to approve an acquiring utility's purchase of a selling utility upon finding the acquisition to be in the public interest.
- (b) The Commission shall maintain its statutory authority to set rates for the selling utility's system after it is purchased by the acquiring utility.
- (c) The Commission shall have the discretion to classify the acquired system as a separate entity for ratemaking purposes if such classification is in the public interest and maintains just and reasonable rates for acquired and existing customers.

Authority: T.C.A. §§ 65-2-102 and 65-5-101 *et seq.*

**Rule 1220-04-14-.03 Value of Acquired Assets.**

- (1) The acquiring utility shall incorporate the acquired assets of the selling utility into the acquired rate base at the value ordered by the Commission after public notice and hearing.
- (2) The applicant(s) shall present proof of the value of the acquired assets, including, but not confined to, evidence of the methodology used to value such assets and the sources of financial data, information and calculations used to derive the proposed value.
- (3) The Commission recognizes the following methodologies may be appropriate to derive the value of the acquired assets:
  - (a) average embedded cost of the acquiring utility;
  - (b) reproduction cost new less depreciation;
  - (c) any other reasonable valuation method proposed by a party to the acquisition proceeding and approved by the Commission; and
  - (d) any other valuation method found by the Commission to be reasonable.
- (4) Nothing herein is intended to limit the Commission from gathering and considering information it deems necessary to determine a just and reasonable value of the acquired assets.
- (5) Notwithstanding the foregoing, the value of the assets added to the acquired rate base shall be just and reasonable and in no event shall exceed the negotiated sales price.

Authority: T.C.A. §§ 65-2-102 and 65-5-101 *et seq.*

**Rule 1220-04-14-.04 Acquisition Adjustment.**

- (1) The Commission may order an acquisition adjustment to be incorporated into the acquired rate base if the Commission determines such adjustment is warranted under the circumstances and will not result in unjust or unreasonable rates and charges for the acquiring utility or for customers.
- (2) The Commission may consider the following factors when determining whether any acquisition adjustment should be incorporated into the acquired rate base:
  - (a) Cost savings or increases resulting from consolidation of the selling utility's system into the acquiring utility's operations;



- (b) Improvements in public utilities services resulting from the acquisition;
  - (c) Remediation of public health, safety and welfare concerns of the selling utility's system resulting from the acquisition;
  - (d) Incentives for acquisition of a financially or operationally troubled system, which may be demonstrated by bankruptcy, receivership, financial distress, notice of violation, order of abatement, or inability to continue as a going concern of the selling utility;
  - (e) Amount of any assets contributed or donated to the selling utility included in the proposed acquisition transaction; and
  - (f) Any other measurable benefits, costs, or service changes affecting acquired and/or existing customers resulting from the acquisition.
- (3) The Commission shall allow the acquiring utility to amortize any acquisition adjustment incorporated into the acquired rate base over a reasonable period of time not to exceed 20 years.

Authority: T.C.A. §§ 65-2-102 and 65-5-101 et seq.

**Rule 1220-04-14-.05 Post-Acquisition Capital Investments.**

- (1) Post-acquisition capital investments in property, plant and equipment attributable to the selling utility's system or service area shall be reasonable, prudent and used and useful in the provisioning of public utilities services if such investments are to be recovered from customers.
- (2) Post-acquisition capital investments shall be depreciated in accordance with the acquiring utility's most recently approved depreciation rates and methods unless otherwise ordered by the Commission.
- (3) The acquiring utility's return on post-acquisition capital investments shall be the rate of return approved by the Commission at the acquiring utility's most recent general rate case.

Authority: T.C.A. §§ 65-2-102 and 65-5-101 et seq.

**Rule 1220-04-14-.06 Regulatory, Transaction and Closing Costs.**

- (1) All regulatory, transaction and closing costs related to the acquiring utility's purchase of the selling utility shall be reasonable and prudent in order to be recoverable from customers.
- (2) For purposes of setting post-acquisition rates and charges, the Commission may in the exercise of its lawful discretion allocate the regulatory, transaction and closing costs between the acquiring utility's owners/shareholders and its customers in recognition of the relative benefits of the acquisition to each and in consideration of the affordability of post-acquisition rates.
- (3) For reasonable and prudent regulatory, transaction and closing costs recoverable from customers, the Commission may allow such costs to be deferred into a regulatory asset account and included as a regulatory asset in the acquiring utility's rate base for future recovery by the acquiring utility unless such costs are to be recovered through another method approved by the Commission.
- (4) The Commission shall allow the acquiring utility to amortize any deferred regulatory, transaction and closing costs included as a regulatory asset in the acquiring utility's rate base over a reasonable period of time not to exceed 20 years.

- (5) Regulatory, transaction and closing costs related to an acquisition application that is withdrawn by the acquiring utility or denied by the Commission shall not be recoverable from the acquiring utility's existing customers.

Authority: T.C.A. §§ 65-2-102 and 65-5-101 *et seq.*

**Rule 1220-04-14-.07 Post-Acquisition Rates and Charges.**

- (1) The Commission shall have the authority, after public notice and hearing, to fix post-acquisition rates and charges for acquired customers and existing customers.
- (2) Post-acquisition rates and charges shall be just and reasonable.
- (3) In fixing post-acquisition rates and charges, the Commission may in the exercise of its lawful discretion allocate the recovery of costs between the acquired customers and existing customers on a rational basis that may, among other things, consider the relative benefits, costs, and intrinsic value of service.
- (4) The Commission may in the exercise of its lawful discretion require the phase-in of post-acquisition rates and charges over a reasonable period of time in circumstances when post-acquisition rates and charges are substantially higher than pre-acquisition rates and charges or in consideration of affordability concerns.

Authority: T.C.A. §§ 65-2-102 and 65-5-101 *et seq.*

**Rule 1220-04-14-.08 Application for Acquisition and Filing Requirements.**

- (1) The Commission shall approve or deny an application for acquisition within 120 days of the filing of a complete application by the acquiring utility. For good cause shown, the Commission or Hearing Officer may extend this period up to an additional 60 days either on its own motion or by request of any party to the acquisition proceeding.
- (2) An application for acquisition shall, at a minimum, contain all the following information prior to such application being deemed complete unless a provision is waived by the Commission or Hearing Officer upon request by the applicant(s):
  - (a) a fully executed acquisition agreement, including all attachments, reflecting the terms and provisions of the acquisition transaction;
  - (b) financial statements, including a balance sheet and income statement, of the selling utility's three most recently completed fiscal years or reporting periods at the time the application for acquisition is filed;
  - (c) all tariffs, schedules or lists detailing the rates, charges and terms of service in effect for the selling utility at the time the application for acquisition is filed;
  - (d) a schedule detailing the number of customers by customer class served by the selling utility at the time the application for acquisition is filed;
  - (e) a statement and, if available, maps that comprehensively describe the service area of the selling utility;

- (f) a forecasted income statement detailing the projected operating revenues, expenses, taxes and net income attributable to the selling utility's operations for the twelve-month period following the estimated closing date of the acquisition transaction;
- (g) anticipated capital budgets based on due diligence detailing by project all projected post-acquisition capital investments in property, plant and equipment attributable to the selling utility's system or service area for the three-year period following the estimated closing date of the acquisition transaction;
- (h) a schedule detailing the computation of regulatory, transaction and closing costs related to the proposed acquisition and the amount of such costs requested for recovery from the acquiring utility's customers;
- (i) a statement fully explaining the proposed methodology for valuing the acquired assets to be incorporated into the acquired rate base under Rule 1220-04-14-.03;
- (j) a schedule and supporting workpapers detailing the computation of the value of the acquired assets requested for inclusion in the acquired rate base under Rule 1220-04-14-.03;
- (k) a schedule and supporting workpapers detailing the computation of any proposed acquisition adjustment requested for inclusion in the acquired rate base under Rule 1220-04-14-.04;
- (l) a statement discussing the factor(s) supporting any proposed acquisition adjustment to be incorporated in the acquired rate base under Rule 1220-04-14-.04, including the particular benefits, costs, or service changes, if any, that affect acquired customers and/or existing customers;
- (m) a schedule identifying any assets that were contributed or donated to the selling utility that are included in the acquisition transaction;
- (n) a statement discussing the proposed methodology and rate design for recovery from customers of any requested (i) acquisition adjustment; (ii) costs of post-acquisition capital investments; or (iii) regulatory, transaction and closing costs;
- (o) a schedule detailing the pro-forma accounting entries for recording the proposed acquisition transaction in accordance with the Uniform System of Accounts;
- (p) a schedule detailing the computation of post-acquisition rates and charges proposed for acquired customers by customer class;
- (q) a schedule comparing the pre-acquisition and proposed post-acquisition rates and charges for acquired customers by customer class;
- (r) a schedule detailing the computation of post-acquisition rates and charges proposed for existing customers by customer class;
- (s) a schedule comparing the pre-acquisition and proposed post-acquisition rates and charges for existing customers by customer class;
- (t) a statement describing in detail how the proposed public utility acquisition furthers the public interest; and
- (u) written testimony supporting the application for acquisition.

- (3) The acquiring utility shall possess a Certificate of Public Convenience and Necessity (CCN) or demonstrate its eligibility for a CCN to operate the selling utility's system in accordance with applicable statutory law and Commission rules and regulations.
- (4) The acquiring utility shall file a proposed tariff incorporating the acquired customers into the acquiring utility's rates, charges and terms of provisioning public utilities services.
- (5) The acquiring utility shall provide public notice of the proposed acquisition in accordance with applicable statutory law and Commission rules and regulations, as well as any additional public notice requirements ordered by the Commission or the Hearing Officer.
- (6) The acquiring utility shall furnish any other pertinent information as determined and requested by the Commission or in accordance with the discovery phase of the acquisition proceeding.
- (7) The Commission shall approve the acquiring utility's acquisition of the selling utility if, after public notice and hearing, the Commission finds the acquisition to be in the public interest.

Authority: T.C.A. §§ 65-2-102 and 65-5-101 *et seq.*

**TPUC Docket 21-00060**  
**Attachment C**

\* If a roll-call vote was necessary, the vote by the Agency on these rulemaking hearing rules was as follows:

Board Member	Aye	No	Abstain	Absent	Signature (if required)
Chairman Kenneth C. Hill	X				
Vice Chairman Herbert H. Hilliard	X				
Commissioner Robin L. Morrison	X				
Commissioner David F. Jones	X				
Commissioner John Hie	X				

I certify that this is an accurate and complete copy of rulemaking hearing rules, lawfully promulgated and adopted by the Tennessee Public Utility Commission on May 10, 2021 and is in compliance with the provisions of T.C.A. § 4-5-222.

I further certify the following:

Notice of Rulemaking Hearing filed with the Department of State on: 05/28/2020

Rulemaking Hearing(s) Conducted on: (add more dates). 07/22/2020; public stakeholder workshops conducted on 12/10/2020 and 4/12/2021

Date: 6/28/2021

Signature: Kelly Cashman-Grams

Name of Officer: Kelly Cashman-Grams

Title of Officer: General Counsel

Agency/Board/Commission: Tennessee Public Utility Commission

Rule Chapter Number(s): 1220-04-14

All rulemaking hearing rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

Herbert H. Slatery III  
Herbert H. Slatery III  
Attorney General and Reporter  
8/5/2021  
Date

**Department of State Use Only**

Filed with the Department of State on: 8/10/2021

Effective on: 11/8/2021

**RECEIVED**

**AUG 10 2021**

Secretary of State  
Division of Publications

Tre Hargett  
Tre Hargett  
Secretary of State

**TPUC Docket 21-00060**  
**Attachment C**

**Public Hearing Comments**

One copy of a document that satisfies T.C.A. § 4-5-222 must accompany the filing.

See Memorandum (inserted – see following pages).



**TENNESSEE PUBLIC UTILITY COMMISSION**

**Kelly Cashman-Grams**  
**General Counsel**  
(615) 770-6856

Andrew Jackson State Office Bldg.  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243-0001

April 30, 2021

TO: Tennessee Secretary of State, Div. of Publications  
Tennessee General Assembly, Joint Government Operations Committee

FROM: Kelly Cashman-Grams, General Counsel *KCG*

RE: Public Comments on the Rule  
Rulemaking 1220-04-14 Utility Acquisitions  
TPUC Docket No. 20-00025

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The Tennessee Public Utility Commission filed its Notice of Rulemaking Hearing with the Secretary of State on May 28, 2020 and, after postponing the originally scheduled rulemaking hearing due to the outbreak of the COVID-19 pandemic and resulting state of emergency declared by Governor Lee, held a rulemaking hearing on July 22, 2020. In order to further collaborate with the regulated industry and other interested stakeholders, the Commission also held two (2) public stakeholder workshops on December 10, 2020 and April 12, 2021. In addition to verbal comments during the public meetings, opportunity for written comments was available leading up to each of the three (3) public hearings/workshops. In fact, three rounds of written comments were filed with the agency by industry and consumer-interest stakeholders. A summary of these comments and the agency's responses are as follows:

- 1) Recommended that, instead of the traditional valuation of assets based on net book value, the acquiring utility's rate base should be established at the lesser of the negotiated sale price or the reproduction cost new less depreciation (RCNLD) of the acquired assets. RCNLD is an estimate, using the Handy-Whitman Index of Public Utility Construction Costs, of the cost to construct, at current prices, an exact duplicate or replica of the utility assets, without regard to the original sources of funding for those assets, using the same materials, construction standards, design, layout, and quality without adjustment for deficiencies, and obsolescence of those assets, net of depreciation.

**Commission Response:** Accepted the recommendation and incorporated the RCNLD valuation methodology into the final rule.

- 2) Recommended that, instead of an acquisition premium, in cases where the negotiated sales price differs from the reproduction cost new less depreciation of the acquired assets, there should be an acquisition adjustment in either direction in the form of an addition to or reduction of the ratemaking rate base of the acquiring utility.

**Commission Response:** Accepted the recommendation and revised the acquisition premium section of the proposed rule to reflect that acquisition adjustments in either direction as an addition or reduction in rate base may be ordered based on enumerated factors.

- 3) Recommended that, unless applicants propose otherwise or a transition mechanism is needed to avoid rate shock, the rates and charges for the acquired customers should be fixed at the rates and charges for the acquiring utility's existing customers. Such a policy would ensure that similarly-situated customers are treated similarly, the entire customer base shares investment costs and benefits from economies of scale, and the long-term stabilization of rates.

**Commission Response:** Rejected the recommendation and maintained the Commission's discretion to treat the acquired utility system separately for ratemaking purposes should circumstances warrant different rates and charges for the acquired system in order to maintain just and reasonable rates for the utility's acquired and existing customers.

- 4) Recommended that the definition of "selling utility" should be narrowed so as to limit application of the rule to natural gas, water, or wastewater public utility owned by a political subdivision in Tennessee.

**Commission Response:** Accepted the recommendation and revised the definition of selling utility accordingly.

- 5) Recommended that, instead of the traditional valuation of assets based on net book value, the concept of "average embedded cost" should be considered in determining ratemaking rate base when the negotiated sales price exceeds a selling utility's net book value. Average embedded cost means an acquiring utility's utility plant in service, less associated accumulated reserve as recorded in the Uniform System of Accounting for the utility plant being acquired from the selling utility divided by the acquiring utility's existing customers. Thus, an acquiring utility would be allowed for accounting and ratemaking purposes to record the purchase of the selling utility's assets at the acquiring utility's current distribution system average per customer embedded cost for meters, services, and mains.

**Commission Response:** Accepted the recommendation and incorporated the average embedded cost valuation methodology into the final rule.

- 6) Recommended that, subject to the Commission's discretion, the rule should include a presumption that the assets of a selling utility would be rolled into an acquiring utility's existing rate structure and ratemaking methodologies, including those that an acquiring utility may already have approved under Tenn. Code Ann. § 65-5-103(d) (alternative ratemaking mechanisms).

**Commission Response:** Rejected the recommendation and maintained the Commission's discretion to treat the acquired utility system as a separate entity for ratemaking purposes should circumstances warrant different rates and charges for the acquired system in order to maintain just and reasonable rates for the utility's acquired and existing customers.

- 7) Recommended that, absent the addition of a minimum threshold amount, the subsection on post-acquisition rates and charges should be amended to be made inapplicable to utility acquisitions incorporated and streamlined into an acquiring utility's existing ratemaking and established rates.

**Commission Response:** Rejected the recommendation and maintained the Commission's discretion to treat the acquired utility system separately for ratemaking purposes should circumstances warrant different rates and charges for the acquired system in order to maintain just and reasonable rates for the utility's acquired and existing customers.

- 8) Recommended that the definition of "acquisition premium" be clarified to ensure that the Commission retains its authority to determine whether all, part, or none of the acquisition premium should be included in an acquiring utility's rate base.

**Commission Response:** Accepted the recommendation in part and made appropriate clarifying revisions to the definition of acquisition premium to reflect acquisition adjustments in either direction as an addition or reduction in rate base may be ordered based on enumerated factors.

- 9) Recommended that the rules should either include a definition of "public interest" or include a detailed listing of factors that will be considered by the Commission in determining whether a utility acquisition is in the public interest.

**Commission Response:** Rejected the recommendation and maintained a general public interest standard that permits the Commission to rely on precedents and attendant circumstances of individual acquisition cases when conducting its public interest analysis.

- 10) Recommended that the phrase "normal rules of depreciation shall apply. . . " in subsection (3) of the section on ratemaking rate base should be revised and clarified to provide the parties with notice that depreciation rates of a seller's assets will be maintained and that depreciation proposals will be required within pre-filed testimony that accompanies an acquisition application.

**Commission Response:** Accepted the recommendation in part and revised the proposed rule to provide that the most recent depreciation rates approved for the acquiring utility will be utilized to depreciate the acquired assets unless otherwise ordered by the Commission.

- 11) Recommended that, to clarify that the burden of proof rests on the utility petitioner, the standard for recovery of an acquisition premium should be amended to include a requirement that an acquiring utility demonstrate that the acquisition is in the public interest and that the inclusion of a premium is not unreasonable, as well as ensuring that recovery does not result in unjust or unreasonable rates.

**Commission Response:** Accepted the recommendation in part and revised the acquisition premium section of the proposed rule to reflect that acquisition adjustments in either direction as an addition or reduction in rate base may be ordered based on enumerated factors. The revised rule provides that acquisition adjustments shall not result in unjust or unreasonable rate as recommended.

- 12) Recommended that the section on acquisition premiums should be amended to include a specific acknowledgment that the Commission may allow a portion of the premium to be recovered rather than only the entire premium, and that a determination on recovery is in the public interest based on a totality of the evidence.

**Commission Response:** Accepted the recommendation in part and revised the acquisition premium section of the proposed rule to reflect that acquisition adjustments in either direction as an addition or reduction in rate base may be ordered based on enumerated factors.

- 13) Recommended that, notwithstanding situations involving a selling system with low or deteriorating quality of service, a prerequisite to recovery of an acquisition premium should be demonstrable and verifiable cost savings.

**Commission Response:** Accepted the recommendation in part and revised the acquisition premium section of the proposed rule to reflect that acquisition adjustments in either direction as an addition or reduction in rate base may be ordered based on enumerated factors. The revised rule provides that cost savings may be considered as a factor when determining whether an acquisition adjustment should be ordered.

14) Recommended that the acquisition of a troubled utility system should not be considered a candidate for an acquisition premium, and therefore, the acquisition premium subsection that considers the acquisition of such systems as a factor in the determination of recovery of a premium, should be deleted.

**Commission Response:** Rejected the recommendation and maintained this factor as consideration to incentivize the acquisition and improvement of troubled utility systems, provided however that any such acquisition adjustment may not result in unjust or unreasonable rates.

15) Recommended that, in considering a proposal for an acquisition premium, the Commission should consider adding a provision that in determining treatment of the gain-on-sale proceeds all or a portion of the resulting gain-on-sale may be attributed to ratepayers.

**Commission Response:** Rejected this recommendation in favor of maintaining the Commission's general supervisory authority to address disposition of potential gains on sale in the specific circumstance when one regulated utility is being acquired by another regulated utility.

16) Recommended that, in considering a proposal for an acquisition premium, the Commission should consider adding a provision that explicitly retains the option to permit recovery to be amortized over a period of time.

**Commission Response:** Accepted this recommendation in part and revised the rule to provide that any ordered acquisition adjustment shall be amortized over a reasonable period of time not to exceed 20 years.

17) Recommended that, in considering recovery of regulatory, transaction, and closing costs associated with an acquisition, the Commission should include language that a proposal for recovery of such costs will be evaluated for reasonableness and prudence.

**Commission Response:** Accepted the recommendation and revised the proposed rule to provide that regulatory, transaction and closing costs shall be reasonable and prudent in order to be recoverable from customers.

18) Recommended that, in establishing a time deadline for consideration of utility acquisitions, the Commission should incorporate flexibility into the 120-day timeline by adding a provision for a discretionary extension of time for good cause.

**Commission Response:** Accepted the recommendation and revised the proposed rule that permits the Commission or Hearing Officer to extend the 120-day timeline by an additional 60 days for good cause shown.

Respectfully Submitted,

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

  
\_\_\_\_\_  
Kelly Cashman Grams, General Counsel



**Regulatory Flexibility Addendum**

Pursuant to T.C.A. §§ 4-5-401 through 4-5-404, prior to initiating the rule making process, all agencies shall conduct a review of whether a proposed rule or rule affects small business.

(1) The type or types of small business and an identification and estimate of the number of small businesses subject to the proposed rule that would bear the cost of, or directly benefit from the proposed rule;

The rule establishes the procedural and substantive standards for the evaluation of public utility acquisitions by water, wastewater, natural gas, and electric utilities regulated by the Commission. The rule is only applicable when a utility is proposes to purchase another utility. It is estimated that approximately 25 companies that are potentially subject to the rule are small businesses. It is not anticipated that the utilities that are small businesses will be impacted by this rule.

(2) The projected reporting, recordkeeping and other administrative costs required for compliance with the proposed rule, including the type of professional skills necessary for preparation of the report or record;

The rule does not impose ongoing reporting, recordkeeping, or other administrative requirements. The rule sets minimum filing requirements to streamline the process for Commission review of public utility acquisitions. The information in the minimum filing requirements is largely accounting information similar to information the utility routinely file with the Commission.

(3) A statement of the probable effect on impacted small businesses and consumers;

It is not anticipated that the utilities that are small businesses will be negatively impacted by this rule. Consumers and small businesses should benefit from the rule as it allows for new sources of capital for utility system upgrades to be deployed.

(4) A description of any less burdensome, less intrusive, or less costly alternative methods of achieving the purpose and objectives of the proposed rule that may exist, and to what extent the alternative means might be less burdensome to small business;

The Commission is required by statute to set public utility rates that are just and reasonable. This rule establishes the procedural and substantive standards for the evaluation of public utility acquisitions so that the Commission can set just and reasonable rates. The rule has a provision that allows for waiver of filing requirements upon request of utility and approval by the Commission.

(5) A comparison of the proposed rule with any federal or state counterparts; and

The Commission is not aware of a state or federal counterpart to this rule.

(6) Analysis of the effect of the possible exemption of small businesses from all or any part of the requirements contained in the proposed rule.

The TPUC is required by statute to set public utility rates that are just and reasonable. This rule establishes the procedural and substantive standards for the evaluation of public utility acquisitions so that the Commission can set just and reasonable rates. The rule has a provision that allows for waiver of filing requirements upon request of utility and approval by the Commission.



**Impact on Local Governments**

Pursuant to T.C.A. §§ 4-5-220 and 4-5-228 "any rule proposed to be promulgated shall state in a simple declarative sentence, without additional comments on the merits of the policy of the rules or regulation, whether the rule or regulation may have a projected impact on local governments." (See Public Chapter Number 1070 (<http://publications.tnsosfiles.com/acts/106/pub/pc1070.pdf>) of the 2010 Session of the General Assembly.)

The proposed rule is not anticipated to have a financial impact on local governments.

**Additional Information Required by Joint Government Operations Committee**

All agencies, upon filing a rule, must also submit the following pursuant to T.C.A. § 4-5-226(i)(1).

- (A) A brief summary of the rule and a description of all relevant changes in previous regulations effectuated by such rule;

Under Title 65, Chapter 4, regulated investor-owned public utilities must obtain the Commission's approval to purchase another public utility system. The number of public utility acquisition cases before the Commission have been infrequent historically; however, there appears to be more recent interest among the industry to consider growth through public utility acquisitions. Over the last year, the agency has worked extensively with interested industry stakeholders to develop a rule that is fair, reasonable, and in the public interest.

The rule sets forth a transparent process for evaluating public utility acquisitions that preserves and maintains meaningful oversight by the Commission to ensure that these transactions are in the public interest and that post-acquisition rates and charges are just and reasonable. It encourages acquisitions that benefit the parties to the sale and the ratepaying consumers of utility service. The rule maintains the Commission's regulatory authority and discretion under Title 65 and establishes standards and filing requirements for evaluation of a proposed transaction. The rule includes alternative methodologies for valuing acquired public utility assets for ratemaking purposes, factors for consideration in determining an appropriate acquisition adjustment, criteria for cost recovery from customers of post-acquisition capital investments, transaction, and other closing costs associated with the sale, and procedures for setting post-acquisition rates and charges. Finally, the rule lists the information and documents necessary to facilitate Commission review of an application for approval of a proposed utility acquisition.

- (B) A citation to and brief description of any federal law or regulation or any state law or regulation mandating promulgation of such rule or establishing guidelines relevant thereto;

T.C.A. § 65-2-102(a)(1) requires the Commission to "adopt rules governing the procedure prescribe or authorized by this chapter or by any other statute applicable to the commission;" In addition, T.C.A. § 65-2-102(a)(2) provides that the Commission may "adopt rules implementing, interpreting, or making specific the various laws which it enforces or administers."

- (C) Identification of persons, organizations, corporations or governmental entities most directly affected by this rule, and whether those persons, organizations, corporations or governmental entities urge adoption or rejection of this rule;

The rule impacts the investor-owned water, wastewater, natural gas, and electric public utilities regulated by the Commission and the customers of those utilities. Certain regulated public utility stakeholders and the Consumer Advocate Unit within the Financial Division of the Tennessee Attorney General's Office provided written and verbal comments in support of the rule as well as recommendations for improvements. All comments were considered and incorporated into the final proposed rule, as appropriate. None have urged rejection of the rule and the industry stakeholders have expressed support for the final proposed rule.

- (D) Identification of any opinions of the attorney general and reporter or any judicial ruling that directly relates to the rule or the necessity to promulgate the rule;

None

- (E) An estimate of the probable increase or decrease in state and local government revenues and expenditures, if any, resulting from the promulgation of this rule, and assumptions and reasoning upon which the estimate is based. An agency shall not state that the fiscal impact is minimal if the fiscal impact is more than two percent (2%) of the agency's annual budget or five hundred thousand dollars (\$500,000), whichever is less;

No changes to state or local government revenues are anticipated.

- (F) Identification of the appropriate agency representative or representatives, possessing substantial knowledge and understanding of the rule;

Joe Shirley, Director, Utility Audit & Compliance  
David Foster, Director, Utilities Division

- (G) Identification of the appropriate agency representative or representatives who will explain the rule at a scheduled meeting of the committees;

Joe Shirley, Director, Utility Audit & Compliance  
David Foster, Director, Utilities Division  
Kelly Cashman-Grams, General Counsel

- (H) Office address, telephone number, and email address of the agency representative or representatives who will explain the rule at a scheduled meeting of the committees; and

Joe Shirley, Director, Utility Audit & Compliance – 615.770.6888; [joe.shirley@tn.gov](mailto:joe.shirley@tn.gov)  
David Foster, Director, Utilities Division – 615.770.6884; [david.foster@tn.gov](mailto:david.foster@tn.gov)  
Kelly Cashman-Grams, General Counsel – 615.770.6856; [kelly.grams@tn.gov](mailto:kelly.grams@tn.gov)

Andrew Jackson State Office Building  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

- (I) Any additional information relevant to the rule proposed for continuation that the committee requests.

The Commission is pleased to share that the utility acquisitions rule proposed herein for promulgation is the culmination and final result of more than a year of extensive effort and collaboration between interested industry stakeholders, the Consumer Advocate Unit of the Tennessee Attorney General's Office, and the Commission.

William Pegram  
President  
Chapel Woods Home Owners Association  
P.O. Box 39  
Chapel Hill, TN 37034  
December 22, 2017

Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
Division of Water Resources  
312 Rosa L. Parks Avenue, 11<sup>th</sup> Floor Tennessee Tower  
Nashville, TN 37243

Dear Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit:

Please consider this letter as official response to your registered letter dated December 7, 2017 requesting information for renewal of Permit for Chapel Woods Home Owners Association. The intent of this letter is to address entirely Section A Regarding the Immediate Tasks Necessary to Continue Building Houses or other Establishments; as well as, to outline targets for addressing the other sections. The Board Members of Chapel Woods HOA also request extension of the deadline to submit application for renewal of permit to February 2<sup>nd</sup> pending completion of or confirmation of plans for completion of the requests in the remaining sections beyond section A.

Response to Section A. Regarding Immediate Task Necessary to Continue Building Houses or other Establishments:

1. Mr. Isaac Zimmerle provided detailed supporting information to address the request to Identify lots with immediate commitments for construction and the form of commitment of each lot in emails on 12/11 and 12/12. The 8 lots are summarized in Attachment 1.
2. Steps for transferring the ownership of the property upon which the treatment facility is located was initiated between the HOA and Connelly group months ago prior to meeting with TDEC on November 30<sup>th</sup>, 2017 via a signed agreement between the parties.
  - a. Signed agreement on 6/10/17 to begin transfer of property
  - b. Plat Map submitted to Marshall County Planning Commission

Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
December 22, 2017  
Page 2

- c. Plat Map reviewed and approved by Marshall County Planning Commission during December meeting with request for minor verbiage to be added by the surveyor before final approval and recording.
  - d. Verbiage to be updated as requested to the Plat by 12/29/17 by Surveyor
  - e. Review with County Codes for final approval of Plat by 1/05/18
  - f. Have Warranty deed drawn and recorded with Marshall County Register of Deeds by 1/26/18
3. HOA has been returned to good Standing with Secretary of State of Tennessee as of 12/11/2017
- a. Evidence emailed by Isaac Zimmerle on 12/11/17
  - b. Documents in evidence in Attachment 2
4. Identifying Steps for timeline for filing \$20K performance security.
- a. HOA Board reviewed and agreed to utilize the CD per the guidelines provided in attachment with the letter from TDEC
  - b. HOA Board Members reviewed the CD guidelines with the Bank presently used for all of the Chapel Woods HOA transactions on 12/20/17
  - c. HOA has set a target to complete the establishment of the CD by 2/02/17

Response to Section B. Regarding Ownership for Permit Reissue

- 1. Copy of the warranty deed demonstrating HOA owns the land on which the treatment facility rests will be provided by 2/02
- 2. Basis for the HOA to operate and maintain the sewer system
  - a. Copy of the Covenants and Restrictions in which the Homeowners association is given the rights to collect fees and manage the maintenance to the collection system including the rights to access those systems on private property will be provided with the Warranty Deed mentioned above.
  - b. Sewer Service Agreement applicable to new homes and resold homes
    - i. Attachment 3 includes the service agreement & waste water manual
    - ii. Letter from Marshall County Board of Public Utilities authorizing Chapel Woods HOA to terminate water supply for lack of payment utilizing the Utility's meter valve with lock out also included in Attachment 3
  - c. The HOA will complete by 2/02/18 a financial statement of Fiscal 2017 for the HOA including expenses and revenue streams such as regular dues, collections, and tap fees with a summary of the number of homes at

Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
December 22, 2017  
Page 3

present and at build out with an indication of the payment status for present homes. If the market demand continues, we would expect Build out within 1- 2 years.

- d. The HOA Fees were set originally in the Covenants and Restrictions and the HOA was granted the authority to collect and enforce rate increases by the covenants and restrictions filed with the Plat of Chapel Woods and registered with the Marshall County Register of Deeds.
- e. Evidence the HOA has been returned to good standing with Secretary of State included in Attachment 2

Response to Section C Regarding Financial Performance Security for Permit Reissue

- 1. HOA will continue negotiation with Wade Murphy of TDEC beginning with the basis of the previously submitted justification for a sum less than the \$75K considering the recently agreed \$20K initial security and the financial statement for the Fiscal 2017 for Chapel Woods HOA.

Response to Section D Regarding Outfall Location Confirmation for Permit Reissue

- 2. Board Members agreed to proceed with installation of an inspection point near the outfall
  - a. Outfall was previously identified by a crew member of the construction crew which installed the outfall
  - b. Sign was placed at the outfall and GPS coordinates were supplied to TDEC in response to a former NOV letter issued August 2014
  - c. TDEC staff member, Scotty Sorrells was taken to the outfall location on December 16, 2016 and reviewed plans of the collection and discharge system
  - d. PDF files of the collection and discharge system as originally approved by TDEC were emailed to Scotty Sorrells in December 2016 after the meeting on Friday, December 16, 2016.
  - e. Isaac Zimmerle emailed copies of all of the Easements for the effluent discharge line to Wade Murphy of TDEC on 11/22/17.
  - f. The HOA will complete the installation of the inspection point and coordination with TDEC for support to install a bug and dye for final confirmation of the Effluent reaching the outfall location by 1/19/18.



Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
December 22, 2017  
Page 4

I certify under penalty of law that this document and all attachments both paper and electronic, were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based upon my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations.

All hard copy records in existence at the time of the receipt of the Letter dated December 7, 2017 are maintained on file in a file cabinet for the HOA. All electronic communications are maintained in the email account of Chapel Woods HOA and stored in an online drive, then backed up to a remote portable backup device.

Sincerely,

A handwritten signature in black ink that reads "William Pegram". The signature is written in a cursive, flowing style.

William Pegram  
President  
Chapel Woods Home Owners Association  
CC: Isaac Zimmerle, Jimmy Skinner, Robert Sewell

Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
December 22, 2017  
Page 5

## Attachment 1

### SUMMARY STATEMENT FOR NEW HOMES

### CHAPEL WOODS HOME OWNERS ASSOCIATION

---

Chapel Woods commitments &/or description for new homes planned & in process prior to 11/30/2017

Prepared by = Isaac Zimmerle

Parcel Information provided by Zimmerle & others.

- 
- Map 025 I, Group A, Parcel 006.00 = owner is Tommy Lawwell
  - Map 025 P, Group A, Parcel 044.00 = owner is Tommy Lawwell
  - Map 025 P, Parcel 053.00 = owner is Robert Edde
  - Map 025 I, Group B, Parcel 008.00 = owner is Kyle Gugger
  - Map 025 P, Group B, Parcel 002.00 = owner is Japheth Jackson
  - Map 025, Parcel 088.04 = owner is Connelly Group / business partner is Kenny Bond
  - Map 025, Parcel 088.05 = owner is Connelly Group / business partner is Chris Russell
  - Map 025, Parcel 088.06 = owner is Connelly Group / business partner is Aaron Nunley

NOTE = description & additional information of each of these above properties is defined in a separate attachment.

---

This is a summary statement only.

This is a summary of information previously submitted via email to TDEC on 12/11/17 with two attachments & a follow up email on 12/12/17 with one attachment. Additional information is provided in the emails dated 12/11/17 & 12/12/17.

The emails on 12/11/17 & 12/12/17 were sent from [isaaczimmerle@gmail.com](mailto:isaaczimmerle@gmail.com)

Isaac Zimmerle 615-390-2609

Mrs. Jessica Murphy  
 Manager, Compliance and Enforcement Unit  
 December 22, 2017  
 Page 6

## Attachment 2



Tre Hargett  
 Secretary of State

Division of Business Services  
 Department of State  
 State of Tennessee  
 312 Rosa L. Parks AVE, 6th Fl.  
 Nashville, TN 37243-1102

Chapel Woods Home Owners Association  
 PO BOX 39  
 CHAPEL HILL, TN 37034-0039

December 11, 2017

## Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

Control # : 745123      Status    Active  
 Filing Type: Nonprofit Corporation - Domestic

## Document Receipt

Receipt # : 003693612	Filing Fee:	\$70.00
Payment-Credit Card - State Payment Center    CC # 3717007504		\$70.00

Amendment Type: Application for Reinstatement  
 Filed Date:      12/11/2017 1:42 PM

Image # : B0462-9086

It has been determined that the attached application for reinstatement contains the information required by statute; therefore, the above entity is hereby reinstated. When corresponding with this office or submitting additional documents for filing, please refer to the control number given above.

Tre Hargett  
 Secretary of State

Processed By: Corp Web User

Field Name	Changed From	Changed To
Filing Status	Inactive - Dissolved (Administrative)	ACTIVE
Inactive Date	08/08/2015	No Value

Mrs. Jessica Murphy  
 Manager, Compliance and Enforcement Unit  
 December 22, 2017  
 Page 7

### Attachment 3

#### Chapel Woods HOA

#### Waste Water Treatment Service Agreement

Property Owner (or resident), hereafter referred to as customer, agrees to the following terms and conditions for Wastewater Treatment services. Wastewater is defined as effluent that is discharged from holding tank that is connected to the waste lines in your home. Chapel Woods HOA hereafter may be referred to as HOA.

- Customer agrees to comply with waste water policies as set by Chapel Woods HOA Board.
- Customer acknowledges receiving Waste Water Users Manual and has read and understands what they are responsible for and understands the "Do's" and "Don't's" for the Wastewater Effluent Collections System.
- Customer Agrees and Understands that the HOA dues are collected primarily to fund the Wastewater Treatment Plant. The dues are currently \$87 per quarter (\$29 per month).
- Customer understands that by signing this service agreement, he/she is authorizing the Chapel Woods HOA representative OR the Marshall county board of public utilities to terminate and lock out water meter or water service line coming into customers home to prevent and prohibit any discharge of wastewater into treatment facility from any residence that is delinquent and has not paid HOA dues. Termination of water service into home shall occur at the 14<sup>th</sup> calendar day after payment is past due. If there is not a secondary water shut off between the water meter and the residence, the Chapel Woods HOA reserves the right to install a shut off to terminate water service. The HOA reserves the right to request termination of water meter by MCBPU. By signing below, customer is authorizing the HOA or MCBPU the right to discontinue water service for nonpayment of HOA dues that fund the treatment of wastewater at the Chapel Woods wastewater treatment facility.
- Customer Agrees and Understands that the HOA reserves the right to terminate water service if the Waste Water Do's And Don't's are not followed. There will be a grace period of 10 calendar days to correct any Do's and Don't's after notification is sent.
- Customer acknowledges that the wastewater holding tank at residence is 100% responsibility of Homeowner or Resident for all upkeep and maintenance.

---

Customer / Owner

Date

Address

(NOTE : No Matter which spouse signs this application, both are responsible for any and all billing incurred for this account, including any collection fees and court costs)

Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
December 22, 2017  
Page 8

## Attachment 3 (Continued)

### Chapel Woods

#### Wastewater User Manual

---

The Chapel Woods wastewater treatment facility is a "gray water" treatment facility. Each residence has a holding tank for collection of all waste discharge from your home. Your tank has an inlet and an outlet. The inlet should be slightly higher than the outlet. There should be a baffle on both the inlet and the outlet of your tank. The tank serves as a holding chamber for all solids and wastewater to dissolve and breakdown into liquid form only before leaving the outlet side of the tank and travelling thru the sewer lines thru the neighborhood, and ultimately into the wastewater treatment facility. Your tank has micro-organisms that need to thrive in order for your tank and the treatment plant to operate properly. Below is a list of "Do's" and "Don't's" for your information and knowledge. The main purpose of a generic knowledge of the system is needed to understand the Do's and Don't's. Always remember that anything that you put down the sink or the tub drain, will enter your holding tank and the treatment system. The motto to use is "IF IN DOUBT, LEAVE IT OUT".

#### DO'S

- Use biodegradable waste tissue.
- Pump your holding tank at least once every 10 years.
- Maintain or add baffles at both inlet and outlets when servicing your tank.
- If you notice ground water infiltrating your tank, remove lid and seal with mastic.

#### DON'T'S

- Do not flush paper towels or rags of any kind
- Do not flush certain feminine products (sanitary napkins)
- Do not discharge any chemicals or cleaners into toilet or drains
- Do not flush or dump large quantities of bleach into drains
- Do not use excessive laundry detergent OR commercial grade laundry detergents
- Do not flush any disinfectants or sterilizing fluids
- Do not flush or dump down drains large quantities of beer or alcohol
- Do not flush or dump down drains paint thinner or paint of any kind
- Do not flush or dump down drains motor oil, grease, antifreeze, and any other automotive liquid
- Do not flush or dump down drains any type of cooking oils or grease from cooking
- Do not discharge weed killers, insecticides, or other gardening chemicals
- If your home has a garbage disposal, Do not discharge eggshells, bones, etc. If you cannot digest it, do not put it down disposal.

Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
December 22, 2017  
Page 9

### Attachment 3 (Continued)

#### **AGREEMENT AND INDEMINITY AGREEMENT**

This agreement is entered into this 16<sup>th</sup> day of November, 2016, by and between The Marshall County Board of Public Utilities (Utility), the Chapel Woods Home Owners Association (HOA) and Chapel Woods Subdivision (Subdivision) with regard to the Chapel Woods wastewater treatment facility.

Whereas the Utility serves the Subdivision with water to it's residents; and

Whereas the Subdivision has its' own "gray water" treatment facility for the collection of waste water and discharge; and

Whereas the water flows through the residences into the Subdivision's waste water treatment facility; and

Whereas the HOA is responsible for the costs and the maintenance of the "gray water" treatment facility through the payment of the HOA fees, therefore the Utility and the HOA have agreed to the following:

1. Upon presentation to the Utility of a signed waste water agreement by the current homeowner and evidence of the current homeowner's receipt of written notice of the intent to request termination of water service by the HOA, the Utility will consent to the HOA having the water meter locked out pending payment of the HOA dues. This will prevent additional water and waste water into the water treatment plant that is not being compensated.
2. In addition to return receipt for the written notice, the HOA shall provide to the homeowner a notice on the homeowner's front door and on the meter box explaining the reason for the lockout and instructions on who to call for payment arrangements and lock removal.
3. Prior to the locking out of a water meter, the HOA shall also notify the Utility of the residents name(s) and telephone number and the contact information for the Utility to give to the homeowner(s) for the HOA.
4. The HOA shall be the party that responsible for any and all actions of the locking and unlocking of the water meters. Further the HOA agrees to assume liability for any damage cause by any owner or occupant or agent of the HOA to any equipment or property of the Utility.

Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
December 22, 2017  
Page 10


Attachment 3 (Continued)

5. The HOA shall notify the Utility 24 hours prior to locking out a water meter & provide the utility the homeowner's name and address.
6. The HOA shall not lock out any homeowner on weekends or legal holiday, which would prevent any homeowner from loss of service during off hours.
7. The HOA shall not lock out any homeowner that has not executed the waste water agreement.
8. The HOA agrees to indemnify and hold the Utility harmless against any liability claim including legal fees as the result of any possible claim relating to the HOA locking out the water meter for any homeowner.
9. Should any provision of this Agreement be determined to be invalid, illegal or unenforceable by a court of competent jurisdiction, then such provision shall automatically be amended so as to make it valid, legal and enforceable but keeping it as close to its original meaning as possible. The invalidity, illegality or unenforceability of any provision shall not affect in any manner the other provisions herein contained, which remain in full force and effect.


MARSHALL COUNTY BOARD OF  
PUBLIC UTILITIES

CHAPEL WOODS HOMEOWNERS  
ASSOCIATION

BY:

  
JESSIE T. WHALEY JR.  
SUPERINTENDENT

BY:

  
WILLIAM PEGRAM  
PRESIDENT

STATE OF TENNESSEE  
COUNTY OF MARSHALL

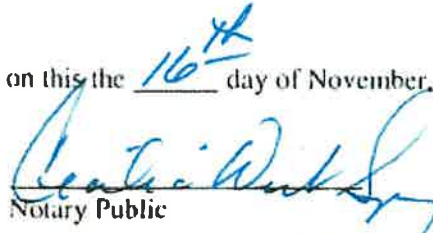
Before me, a Notary Public within and for the State and County aforesaid, personally appeared Jessie T. Whaley, with whom I am personally acquainted and who upon oath acknowledged himself to be the Superintendent of the Marshall County Board of Public Utilities, the within named bargainer, and that he as such Superintendent, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation for the purposes therein stated.



Mrs. Jessica Murphy  
Manager, Compliance and Enforcement Unit  
December 22, 2017  
Page 11

Attachment 3 (Continued)

Witness my hand and official seal at office, on this the 16<sup>th</sup> day of November, 2016.

  
Notary Public

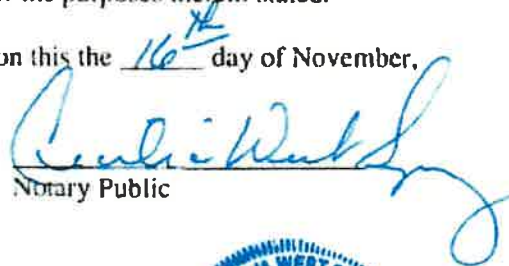
My Commission Expires: 2/27/19



STATE OF TENNESSEE  
COUNTY OF MARSHALL

Before me, a Notary Public within and for the State and County aforesaid, personally appeared WILLIAM PEGRAM, with whom I am personally acquainted and who upon oath acknowledged himself to be the President of the Chapel Woods Homeowners Association, the within named bargainor, and that he as such President, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation for the purposes therein stated.

Witness my hand and official seal at office on this the 16<sup>th</sup> day of November, 2016.

  
Notary Public

My Commission Expires: 2/27/19





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

February 7, 2018

Mr. William Pegram, President  
Chapel Woods HOA  
chapelwoodshoa@gmail.com  
PO Box 39  
Chapel Hill, TN 37034

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**  
**RECEIPT # 9414 7266 9904 2096 0183 46**

Mr. Isaac Zimmerle, Developer  
Connolly Group, Inc.  
isaac.zimmerle@gmail.com  
PO 592  
Chapel Hill, TN 37034

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**  
**RECEIPT # 9414 7266 9904 2096 0183 53**

**Subject: Status Update Subsequent to Request for Information**  
Pursuant to Section 69-3-113 of the Tennessee Water Quality Control Act  
Sewage Treatment Plant of Chapel Woods Homeowners Association and Connolly  
Group, Inc.  
TN0062073, Marshall County

Dear Mssrs. Pegram and Zimmerle,

The Division acknowledges receipt, on December 22, 2017, of the response to our request for information dated December 6, 2017, pursuant to Tenn. Code Ann. § 69-3-115. This is a status update on the review of that, and supplemental information, received of the homeowners association (HOA) and its board members. The Division recognizes the time and effort expended by board members to develop the response and address outstanding regulatory issues with the sewerage system.

**Your letter of December 22, 2017, covers all issues requested in a manner acceptable to the Division. Additionally, the HOA has completed the immediate tasks identified as being minimally necessary for the HOA to qualify as a public sewerage system. These tasks are summarized below:**

- |   |                             |
|---|-----------------------------|
| • Identified the lots for which there were sewer commitments: | Provided December 11, 2017  |
| • Transferred ownership of the STS to the HOA:                | Effective January 25, 2018  |
| • Restored the HOA state business filing to active standing:  | Effective December 11, 2017 |

- Provided a \$20,000 certificate of deposit performance bond: Delivered February 2, 2018

Additionally, the HOA located, and photographically documented the outfall line near the river and installed an inspection riser on January 2, 2018. On January 19, 2018, Columbia Environmental Field Office (EFO) staff participated in a dye trace of the outfall line and provided a follow-up report. This test did not utilize the parameters originally identified in the Division's information request of December 6, 2017, but the Division determined there is sufficient evidence, as documented in the EFO report, to confirm the located outfall line is connected to the sewerage system's effluent pump station. The observations appear to be consistent with the sewer plans approved for the outfall line in August 1987 (Plans # 87-0972), of which copies were provided by you previously.


The Division looks forward to working with the HOA on terms and conditions of a renewed NPDES permit between now and when the current permit expires on June 30, 2018. We will consider the following issues in developing new permit terms and condition for a reissued permit:

- The articles, covenants, contracts, and procedures used by the HOA for sewerage system operation,
- The sewer service agreement for new customers and resold properties,
- Financial audits or equivalent,
- Planned rate structure, and
- The performance security amount.

Please proceed with providing this office updated application forms to begin the permit process. The Division requests that you submit updated application forms 3510-2A and CN-1090 no later than **March 31, 2018**. You may access application forms on our webpage at:  
<http://tn.gov/environment/article/permit-water-national-pollutant-discharge-elimination-system-npdes-permit>

The Division appreciates your cooperation and assistance. Should you have any further questions, please feel free to contact Christy Morgan at (615) 532-0685, or via e-mail at [christy.morgan@tn.gov](mailto:christy.morgan@tn.gov), or Wade Murphy at (615) 523-0666, or via e-mail at [wade.murphy@tn.gov](mailto:wade.murphy@tn.gov). You may contact me at (615) 532-0676, or via e-mail at [jessica.murphy@tn.gov](mailto:jessica.murphy@tn.gov).

Sincerely,

  
Jessica Murphy, Manager  
Compliance and Enforcement Unit  
Division of Water Resources

WDM:EJM

cc: Isaac Zimmerle – Connolly Group, Inc., [isaac.zimmerle@gmail.com](mailto:isaac.zimmerle@gmail.com)  
William Pegram – Chapel Woods HOA, [chapelwoodshoa@outlook.com](mailto:chapelwoodshoa@outlook.com)  
Don Nelson – Marshall County Building Inspector, [don.nelson@marshallcountyttn.com](mailto:don.nelson@marshallcountyttn.com)  
DWR – Columbia EFO – Sherry Glass, [sherry.glass@tn.gov](mailto:sherry.glass@tn.gov)  
DWR – Water Based Systems – Wade Murphy, [wade.murphy@tn.gov](mailto:wade.murphy@tn.gov)  
TDEC – OGC – Stephanie Durman, [stephanie.durman@tn.gov](mailto:stephanie.durman@tn.gov)  
Case File WPC16-0031 & Permit File TN0062073

DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
DIVISION OF WATER POLLUTION CONTROL

ADDRESS ATTACHMENT FOR NPDES PERMIT APPLICATION & STATE OPERATION PERMIT  
APPLICATION

This must be filled out to complete your permit application.

NPDES/STATE PERMIT NO.: TN0062073

---

**CORPORATE HEADQUARTERS:** (Where the permit will go.)

CONTACT PERSON: William Pegram, President

COMPANY NAME: Chapel Woods Home Owners Association

STREET AND/OR P.O. BOX #: P.O. Box 39

CITY: Chapel Hill STATE: TN ZIP CODE: 37034

PHONENO: 931-309-3513 EMAIL ADDRESS: ChapelWoodsHOA@gmail.com

---

**PERMIT BILLING ADDRESS:** (Where the invoices will go.)

CONTACT PERSON: William Pegram

FACILITY NAME: Chapel Woods Home Owners Association, Waste Water Treatment System

STREET AND/OR P.O. BOX #: P.O. Box 39

CITY: Chapel Hill STATE: TN ZIP CODE: 37034

PHONE NO: 931-309-3513 E-MAIL ADDRESS: ChapelWoodsHOA@gmail.com

---

**FACILITY LOCATION:** (Where the inspectors will go.)

FACILITY NAME: Chapel Woods Home Owners Association, Waste Water Treatment System

STREET ADDRESS: 1717 Evelyn Avenue

P.O. BOX #: 39 COUNTY: Marshall

CITY: Chapel Hill STATE: TN ZIP CODE: 37034

PHONE NO: 931-309-3513 E-MAIL ADDRESS: ChapelWoodsHOA@gmail.com

---

**DMR MAILING ADDRESS:** (Where the pre-printed Discharge Monitoring Reports will go) (Does not apply to SOP Permits)

CONTACT PERSON: \_\_\_\_\_

FACILITY NAME: Chapel Woods Home Owners Association, Waste Water Treatment System

STREET AND/OR P.O. BOX #: P.O. Box 39

CITY: Chapel Hill STATE: TN ZIP CODE: 37034

PHONE NO: 931-309-3513 E-MAIL ADDRESS: ChapelWoodsHOA@gmail.com

CN-1090



Form Approved. OMB No. 2040-0086. **Exhibit GA-MFR-3**

EPA Form 3510-1 (8-90)

CONTINUE ON REVERSE

EPA Form 3510-1 (8-90)



RECEIVED  
APR 14 2003  
Permit Section

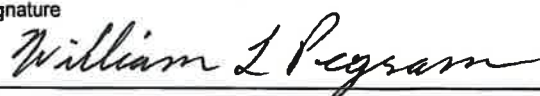
371, NY 24000

Chapel Woods  
Treatment Plant Location

Discharge 001

Please print or type in the unshaded areas only.		EPA ID Number (copy from Item 1 of Form 1)		Form Approved, OMB No. 2040-0085 Approval expires 5-31-92.			
FORM <div style="font-size: 2em; font-weight: bold;">2E</div> NPDES		<div style="display: inline-block; vertical-align: middle;"> <b>Facilities Which Do Not Discharge Process Wastewater</b> </div>					
<b>I. RECEIVING WATERS</b>							
For this outfall, list the latitude and longitude, and name of the receiving water(s).							
Outfall Number (list)	Latitude			Longitude			Receiving Water (name)
	Deg	Min	Sec	Deg	Min	Sec	
001	35	35	55	86	46	30	Duck River, Mile 177.5
<b>II. DISCHARGE DATE</b> (if a new discharger, the date you expect to begin discharging) NA, Existing Discharge facility							
<b>III. TYPE OF WASTE</b>							
A. Check the box(es) indicating the general type(s) of wastes discharged.							
<input checked="" type="checkbox"/> Sanitary Wastes <input type="checkbox"/> Restaurant or Cafeteria Wastes <input type="checkbox"/> Noncontact Cooling Water <input type="checkbox"/> Other Nonprocess Wastewater (Identify)							
B. If any cooling water additives are used, list them here. Briefly describe their composition if this information is available. NA							
<b>IV. EFFLUENT CHARACTERISTICS</b>							
A. Existing Sources — Provide measurements for the parameters listed in the left-hand column below, unless waived by the permitting authority (see instructions).							
B. New Dischargers — Provide estimates for the parameters listed in the left-hand column below, unless waived by the permitting authority. Instead of the number of measurements taken, provide the source of estimated values (see instructions).							
Pollutant or Parameter	(1) Maximum Daily Value (include units)		(2) Average Daily Value (last year) (include units)		(3)	(or)	(4)
	Mass	Concentration	Mass	Concentration	Number of Measurements Taken (last year)	Source of Estimate (if new discharger)	
Biochemical Oxygen Demand (BOD)	.45 lbs	11 mg/L	.26 lbs	7 mg/L	12	NA	
Total Suspended Solids (TSS)	.86 lbs	28 mg/L	.32 lbs	8 mg/L	12	NA	
Fecal Coliform (if believed present or if sanitary waste is discharged)	NA	2400/100ml	NA	9/100ml	14	NA	
Total Residual Chlorine (if chlorine is used)	NA	.67 mg/L	NA	.07 mg/L	260	NA	
Oil and Grease	NA	NA	NA	NA	NA	NA	
*Chemical oxygen demand (COD)	NA	NA	NA	NA	NA	NA	
*Total organic carbon (TOC)	NA	NA	NA	NA	NA	NA	
Ammonia (as N)	NA	NA	NA	NA	NA	NA	
Discharge Flow	Value .0698 MGD		.0070 MGD		260	NA	
pH (give range)	Value 7.6 - 8.4		7.5-8.0		520	NA	
Temperature (Winter)							
Temperature (Summer)							

\*If noncontact cooling water is discharged

<b>V. Except for leaks or spills, will the discharge described in this form be intermittent or seasonal?</b> If yes, briefly describe the frequency of flow and duration.		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
NA		
<b>VI. TREATMENT SYSTEM</b> (Describe briefly any treatment system(s) used or to be used)		
Treatment system consists of individual at home septic tanks gravity fed to a centralized anaerobic upflow reactor. The reactor is three cells operated in parallel. This is followed by a nitrification tower equipped with a recirculation pump. The settled sludge is returned to the anaerobic reactor. The clear supernatant is disinfected with a Ultra-Violate system followed by Chlorine bleach in a holding tank. The water is spilled over dechlorination tablets before being discharged via pump to the river outfall approximately 1 mile away. Sludge is periodically pumped and hauled to a nearby municipal sewage treatment facility.		
<b>VII. OTHER INFORMATION</b> (Optional)		
Use the space below to expand upon any of the above questions or to bring to the attention of the reviewer any other information you feel should be considered in establishing permit limitations. Attach additional sheets, if necessary.		
NA		
<b>VIII. CERTIFICATION</b>		
<i>I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.</i>		
<b>A. Name &amp; Official Title</b> William Pegram, President of Chapel Woods Home Owners Association		<b>B. Phone No. (area code &amp; no.)</b> 931-309-3513
<b>C. Signature</b> 		<b>D. Date Signed</b> 3/28/18

State of Tennessee  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
DIVISION OF WATER RESOURCES  
William R. Snodgrass - Tennessee Tower  
312 Rosa L. Parks Avenue, 11<sup>th</sup> Floor  
Nashville, Tennessee 37243-1102

**MR. WILLIAM PEGRAM  
PRESIDENT AND CHAIRMAN OF THE BOARD  
CHAPEL WOODS HOA  
P.O. BOX 39  
CHAPEL HILL, TN 37034**



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, Tennessee 37243-1102

April 3, 2018

Mr. William Pegram  
Chapel Woods HOA  
President and Chairman of the Board  
e-copy: chapelwoodshoa@gmail.com  
P.O. Box 39  
Chapel Hill, TN 37034

Subject: **Notice of Complete Application for NPDES Permit Number TN0062073**  
**Chapel Woods Homeowner's Association**  
**Chapel Hill, Marshall County, Tennessee**

Dear Mr. Pegram:

The Division of Water Resources (the division) acknowledges the receipt of a permit application in our office on March 29, 2018. Rules of the Tennessee Department of Environment and Conservation, Division of Water Resources, Chapter 0400-40-5-.05 (2): *Permit Application, Issuance*, state, in part:

*"The applicant will be provided notice of completeness of the application and re-submitted material within 30 days of a determination that such material constitutes a complete application. This provision does not preclude the commissioner from later requesting additional material that subsequent to the notice of completeness is determined to be necessary for permit processing."*

Our review of the individual NPDES permit application showed that you have submitted all the information required for the permit reissuance. If your complete application was mailed to our office 180 days prior to the current permit expiration date of June 30, 2018, and the permit is not reissued by that date, discharges from the facility will be automatically authorized through administrative extension of the current permit.

If you have questions, please contact the division at your local Field Office at 1-888-891-TDEC; or, at this office, please contact Mr. Hari Akunuri at (615) 532-0650 or by E-mail at [Hari.Akunuri@tn.gov](mailto:Hari.Akunuri@tn.gov).

Sincerely,

Vojin Janjic  
Manager, Water-Based Systems

cc: Permit Section File  
Mr. Robert Dickinson, Manager, TDEC-Division of Financial Responsibility, [robert.dickinson@tn.gov](mailto:robert.dickinson@tn.gov)  
Mr. Phillip Zimmerle, Registered Agent, Connelly Group, 481 Opossum Lane, Bunnell, FL 32110  
Mr. Isaac Zimmerle, Developer/Owner, Isaac Zimmerle, [isaac.zimmerle@gmail.com](mailto:isaac.zimmerle@gmail.com)





**STATE OF TENNESSEE  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
COLUMBIA ENVIRONMENTAL FIELD OFFICE  
1421 HAMPSHIRE PIKE  
COLUMBIA, TENNESSEE 38401  
PHONE (931) 380-3371    STATEWIDE 1-888-891-8332    FAX (931) 380-3397**

July 16, 2018

Mr. William Pegram  
Chairman of the Board  
Chapel Woods Home Owners Association  
P.O. Box 39  
Chapel Hill, TN 37304

Re: Compliance Evaluation Inspection  
NPDES Permit No. TN0062073  
Chapel Woods Home Owners Association  
Chapel Hill, Marshall County, Tennessee

Dear Mr. Pegram:

On June 21, 2018, I conducted a Compliance Evaluation Inspection (CEI) of the Chapel Woods Home Owners Association (HOA) wastewater treatment plant. A CEI is conducted to determine compliance with the permit and to review the operation and maintenance of the treatment system. The following observations were made during the inspection:

1. The current permit expired on June 30, 2018. An application for renewal was received on March 31, 2018. The Division requested that the HOA supply supplemental information prior to processing the application for permit renewal. The HOA provided the information in a manner acceptable to the Division. Discharges from the facility will be authorized until the new permit is reissued through the administrative extension of the expired permit.
2. The HOA has completed the following tasks identified as being necessary for the HOA to qualify as a public sewerage system:
  - a. Transferred ownership of the sewer treatment system to the HOA
  - b. Restored the HOA state business filing to active standing
  - c. Provided a \$20,000 certificate of deposit performance bond

Additionally, the HOA located and documented the outfall line near the Duck River on January 2, 2018. On January 19, 2018, Columbia Environmental Field Office staff participated in a dye trace of the outfall line. It was determined that sufficient evidence existed to confirm that the located outfall line is connected to the sewerage system's effluent pump station.



3. There are two pumps installed in the influent lift station. The influent lift station electrical panel is scheduled to be replaced with new wiring and switches. New floats are also scheduled to be installed. The lift station is equipped with a high level light.
4. Discussions during the inspection indicated that the treatment plant experiences inflow & infiltration (I&I) during some rain events. A collections maintenance program needs to be adopted to determine the cause and location of the I&I. Septic tanks installed at each home should have a water-tight seal and proper fittings used to connect the piping from the septic tank to the gravity sewer line.
5. The metal treatment reactor has developed external rust along the top two sections of the unit which needs to be addressed. Iron content from inside of this tank is affecting the output of the ultraviolet (UV) disinfection unit.
6. An extension has been built beyond the filter tower to enclose the effluent discharge and UV disinfection unit. The HOA is in the process of completing quotes to make the following improvements in this area:
  - a. Add a new power source and control panel inside of the enclosure for the control of the discharge and recirculation pumps
  - b. Install a second discharge pump and new level floats for both pumps
  - c. Add lighting inside of the building extension
7. The UV disinfection unit is functioning. It was discovered that the iron content from the rust inside of the metal reactor was blocking the effectiveness of the UV system, still causing some e-coli permit violations. In an attempt to prevent future violations, the plant uses bleach to disinfect the wastewater after passing through the UV system. The plant uses Norweco Bio- Max tablets to dechlorinate the wastewater. The discharge was clear during the inspection.
8. The HOA is presently running around eighty percent current on fee collection. A new sewer service agreement has been adopted and must be signed for both new customers and resold properties.
9. The HOA is working with a local contractor to bushhog and smooth up the property surrounding the treatment plant to facilitate the ease of mowing and maintaining the appearance of the property.

It is requested that a written reply be submitted to this office within thirty (30) days receipt of this letter regarding corrective action for items 4 & 5 listed above.

I would like to thank Mr. Skinner for his time and cooperation during the inspection. If you have any questions you may reach me at 931-840-4166 or by e-mail at [gary.horne@tn.gov](mailto:gary.horne@tn.gov).

Mr. Pegram  
Page 3

Exhibit CA-MFR-5

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Horne", with a long horizontal flourish extending to the right.

Gary Horne  
Division of Water Resources



**STATE OF TENNESSEE  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
COLUMBIA ENVIRONMENTAL FIELD OFFICE  
1421 HAMPSHIRE PIKE  
COLUMBIA, TENNESSEE 38401**

**PHONE (931) 380-3371    STATEWIDE 1-888-891-8332    FAX (931) 380-3397**

July 27, 2020

Mr. William Pegram, President  
Chapel Woods Homeowners Association  
P.O. Box 39  
Chapel Hill, TN 37304

RE:    Compliance Evaluation Inspection  
         Chapel Woods Homeowners Association  
         NPDES Permit No. TN0062073  
         Chapel Hill, Marshall County, Tennessee

Dear Mr. Pegram:

On July 17, 2020, I conducted a Compliance Evaluation Inspection (CEI) of the Chapel Woods Homeowners Association (HOA) wastewater treatment plant. A CEI is conducted to determine compliance with permit and to review the operation and maintenance of the treatment plant. The following observations were made during the inspection:

**I. Permit**

The current permit expired on June 30, 2018. The Division requested supplemental information from the HOA prior to processing the application for renewal submitted on March 31, 2018. The HOA provided the information in a manner that was acceptable to the Division.. Discharges from the facility have been authorized until the new permit is reissued through the administrative extension of the expired permit. The draft permit for this facility is scheduled to be put out for public notice on August 4, 2020

**II. Records/Reports**

Monthly Operation Reports (MORs) are being submitted to the Columbia Environmental Field Office. The iron content from the rust on the inside of the reactor still blocks the effectiveness of the UV system, causing occasional E-coli violations. The plant uses bleach to disinfect prior to the UV disinfection in an attempt to prevent future violations. The plant uses Norweco Bio-Max tablets to dechlorinate the wastewater.

### III. Laboratory

The facility is equipped to perform the Total Residual Chlorine (TRC), pH, Dissolved Oxygen (DO) and Settleable Solids (SS) analytical testing requirements of the permit. The Total Suspended Solids (TSS), BOD and E-coli analytical testing is performed by Microbac. A chain of custody and analytical results of the testing performed by Microbac is being submitted with the Monthly Operation Report (MOR). A new HACH DO/pH meter has been purchased since the previous inspection. Annual laboratory equipment and instrument calibration is being performed by Labtronix.

### IV. Facility Site Review and Operations and Maintenance

The treatment system consists of an influent lift station, metal treatment reactor, filter tower, recirculation tank and UV disinfection system. The metal treatment reactor has been sandblasted and painted since the previous inspection. Sludge drain valves have been replaced on the metal treatment reactor. The influent lift station has been equipped with two new pumps and floats. A new accessible cover has been installed on the lift station. A new electrical control panel, new wiring, high level alarm and a pump hour meter has been installed on the influent lift station. New influent valves have been installed between the lift station and the reactor. Two new effluent pumps and a new control panel have been installed since the previous inspection. A spare effluent pump was also purchased. Clean up of the grounds surrounding the treatment plant has been performed to facilitate the ease of mowing and maintaining the property. The road at the entrance to the plant has been asphalted. A new perimeter fence with a locked gate surrounds the treatment plant. The Chapel Woods Homeowners Association (HOA) is presently in discussion with Limestone Water Utilities Co regarding the acquisition of the wastewater treatment plant in the near future.

### V. Conclusion

The facility is being operated and maintained in accordance with the terms and conditions of NPDES Permit No. TN0062073. I would like to thank you for your time and cooperation during the inspection. If you have any questions concerning this correspondence you may reach me at 931-840-4166 or by e-mail at [gary.horne@tn.gov](mailto:gary.horne@tn.gov).

Sincerely,



Gary Horne  
Division of Water Resources



STATE OF TENNESSEE  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
COLUMBIA ENVIRONMENTAL FIELD OFFICE  
1421 HAMPSHIRE PIKE  
COLUMBIA, TENNESSEE 38401  
PHONE (931) 380-3371 STATEWIDE 1-888-891-8332 FAX (931) 380-3397

September 10, 2015

William Pegram  
HOA Chairman  
P.O. Box 39  
Chapel Hill, TN 37034

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED  
RECEIPT #: 91 7199 9991 7035 6627 3504

Re: **Notice of Violation**  
Compliance Evaluation Inspection  
NPDES Permit # TN0062073  
Chapel Woods  
Marshall County, Tennessee

Dear Mr. Pegram:

On August 26, 2015, April Grippo and DeWitt Logsdon conducted a Compliance Evaluation Inspection (CEI) of the Chapel Woods wastewater treatment system. A CEI is conducted to determine compliance with the NPDES permit conditions and check the operation and maintenance of the equipment used in determining compliance with the permit. Mrs. Grippo and Mr. Logsdon want to thank Mr. Jimmy Skinner, the current plant operator and member of the Home Owners Association (HOA), for his assistance in this inspection.

The following deficiencies, comments, and/or recommendations were identified during the inspection and should be addressed as applicable.

1. The two items noted below were identified during a previous CEI conducted May 22, 2014, and discussed during a Compliance Review Meeting held September 23, 2014. The items remain unresolved and should be addressed as applicable:
  - a) The plant is rated for a certified Grade 1 and Collections 1 operator. The plant has no certified operator that meets this requirement.
  - b) A brief permit review was made of Part F of the permit concerning Special Requirements For Homeowners' Associations. The permit requires a reserve fund with an annual report submittal. Also, proof of adequate bond or financial security is required. Chapel Woods has no reserve fund and no bond.

Violations of the system's NPDES permit and of the *Tennessee Water Quality Control Act* include the failure to operate the treatment facility under the supervision of a certified operator in accordance with the Water Environmental Health Act of 1984 and failure to meet the financial requirements as outlined in the permit's section titled Special Requirements for Homeowners' Associations. This letter will serve as a formal Notice of Violation and by copy will inform the Division's Enforcement Section of the violations.

Please provide a written response within thirty (30) days of receipt of this letter, stating how the violations will be corrected. Your response should provide specific actions and completion dates.

#### **General Observations, Comments, and Other Recommendations**

2. The ultra-violet (UV) system has been out of service since March 2013. Chapel Woods currently uses chlorine tablets as an alternate treatment. The main issue with the current chlorination method is that it allows for over and under chlorination. In 2015, there have been two reported *E. coli* exceedances with a reported value of at least 2,400 CFU/100ml in January and February. Conversations indicated the UV system is tentatively planned to be operational by the end of 2015.
3. A standard operating procedure (SOP) manual is recommended. However, one was not available. Guidelines on how to prepare an SOP was reviewed during this inspection.
4. The current on-site operator is Mr. Jimmy Skinner. The plant is owned by the HOA while land is owned by the Connelly Group.
5. Chapel Woods has made several improvements since the previous CEI conducted on May 22, 2014. At a minimum, this includes the following:
  - a) The influent lift station has a workable pump and a high level light.
  - b) A new Eastech Vantage 2210 flow meter was recently installed. The flow from this meter should be reported rather than the counter flow. As a reminder, this new flow meter needs to be annually calibrated starting in 2016.
  - c) A spare outfall pump and spare lift station pump were available. Plans are to install both by year's end.
  - d) Plant records are maintained on site.
  - e) Mr. Skinner has made good progress in improving various lab analysis techniques, equipment calibrations, and record documentation.
6. The current general NPDES permit became effective on August 1, 2013 and expires June 30, 2018.



7. Chapel Woods does not allow pump and haulers to discharge in their facility or in their collections system.
8. Chapel Woods uses an outside lab, Environmental Sciences Corporation (ESC), to provide test results for permit parameters such as: BOD<sub>5</sub>, total suspended solids, and *E. coli*. Mr. Skinner performs the pH, DO, total residual chlorine, and flow.
9. The permit outfall is located at Duck River at mile 177.5.
10. Sludge/solids were removed in January and May of 2015. Ensure this information is noted on the monthly operating report (MOR) as required per D. Sludge Management Practices on page 14.
11. It is suggested that Mr. Skinner consider attending one or more wastewater classes offered by the State's Fleming Training Center located in Murfreesboro. The web site for class schedules and cost can be found on: [www.tn.gov/environment/topic/wr-ftc-training-opportunities](http://www.tn.gov/environment/topic/wr-ftc-training-opportunities). If interested, the Fleming Center contact for operator certification training questions is Sherry Messick at 615-898-6503.
12. It is recommended that a few bags of lime be readily available to place on any sewage spill/overflow that may occur at the plant or within the collection system.
13. Conversations indicated that inflow and infiltration (I&I) is an issue after most rain events. Therefore, Chapel Woods needs a collections maintenance program. The first step to resolving any I&I problems is determining how significant the problem is. It is recommended that Chapel Woods begin a sanitary sewer system evaluation.
14. Bench sheet information for the pH, dissolved oxygen, and total residual chlorine were available.
  - a) Each time any of these meters are calibrated, a calibration record needs to be prepared and maintained.

The following is helpful information on each of these meters:

- pH - The current pH meter is an Oakton 300 Series made in November 2010 with serial #610173. Mr. Skinner routinely conducts a three-point calibration starting with a 4 pH buffer. Most pH meters require the calibration procedure to start with a 7 pH. However, conversations with Oakton technical at 1-888-462-5866 indicated the user can start with any buffer and go in any order.
- DO - A YSI 50B with serial # 94L26166 is used for the DO parameter. The meter was made in 1994, and its production was discontinued in 1999.
- Total Residual Chlorine - A 1200 LaMotte meter with serial #24140-4813 is used. The number 4813 indicates the meter was made during the 48<sup>th</sup> week of 2013.

Conversations with LaMotte technical at 1-800-344-3100 indicated that they recommend having the meter calibrated once every 3 years. Therefore, the next outside calibration of this meter would be due in December 2016.

LaMotte technical also recommended two (2) minutes of wait time to be followed between preparation and reading of the sample in the portable meter for total residual chlorine when using the #4 tablet. The #4 tablet can be used in place of the #1 and #3 tablets.

Mrs. Grippo and Mr. Logsdon wish to express their appreciation to Mr. Skinner for his assistance in this inspection. If you have any questions concerning the inspection, you may contact DeWitt Logsdon at (931) 490-3940 or me at 931-840-4153.

Sincerely,



Sherry R. Glass  
Environmental Program Manager  
Division of Water Resources  
Columbia Environmental Field Office

CC: Wade Murphy  
Jessica Murphy  
Jimmy Skinner

Permit Section, Division of Water Resources  
Enforcement & Compliance Section  
Operator, Chapel Woods



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

December 6, 2017

Mr. William Pegram, President  
Chapel Woods HOA  
[chapelwoodshoa@gmail.com](mailto:chapelwoodshoa@gmail.com)  
PO Box 39  
Chapel Hill, TN 37034

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**  
**RECEIPT # 9414 7266 9904 2096 0231 28**

Mr. Isaac Zimmerle, Developer  
Connolly Group, Inc  
[isaac.zimmerle@gmail.com](mailto:isaac.zimmerle@gmail.com)  
PO 592  
Chapel Hill, TN 37034

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**  
**RECEIPT # 9414 7266 9904 2096 0183 15**

Subject: **Request for Information**  
Pursuant to Section 69-3-113 of the Tennessee Water Quality Control Act  
Sewage Treatment Plant of Chapel Woods Homeowners Association and Connelly Group, Inc.  
TN0062073, Marshall County

Dear Messrs. Pegram and Zimmerle,

Thank you for requesting the recent meeting with us which we conducted between the Nashville central office and the Columbia Environmental Field Office on November 30, 2017. We found the meeting with the 3 active board members very productive and continue to be pleased with the efforts that the HOA board and Connelly Group, Inc., are making to address TDEC's permit compliance and regulatory concerns. This request for information identifies the documentation we need from you in order to address your concern for how to move forward with adding customers to your sewerage system and to complete our file record for NPDES permit renewal along with a complete application Form 2A.

Pursuant to T.C.A. § 69-3-115, the Division requests the Chapel Woods Homeowner Association and Connelly Group, Inc. to provide the information set forth in ATTACHMENT 1 regarding the wastewater treatment plant noted above and its associated sanitary sewer collection system. Please provide your response within 30 days of receipt of this notice. The response should be directed to:

Division of Water Resources  
Compliance and Enforcement Unit Manager  
312 Rosa L. Parks Avenue, 11<sup>th</sup> Floor Tennessee Tower  
Nashville, Tennessee 37243

Your response(s) should specifically reference the particular section and number of the request and should be organized for clarity. In addition, all information submitted must be accompanied by the following certification statement signed by a responsible official in accordance with 40 C.F.R. § 122.22:

"I certify under penalty of law that this document and all attachments both paper and electronic, were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based upon my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations".

Failure to comply with this information request may result in the initiation of enforcement proceedings, and may subject the Chapel Woods HOA and Connelly Group, Inc. to fines under the T.C.A. § 69-3-115 of up to \$10,000 per day per violation.

The Chapel Woods HOA and Connelly Group, Inc. shall preserve, until further notice, all records (both written and electronic) which exist at the time of receipt of this letter that relate to any of the matters set forth herein. Your responses shall include written assurance that these document protections were put in place, as required.

The Division appreciates your cooperation and assistance in this information request. Should you have any questions, please feel free to contact Christy Morgan at (615) 532-0685, or via e-mail at [christy.morgan@tn.gov](mailto:christy.morgan@tn.gov), or Wade Murphy at (615) 523-0666, or via e-mail at [wade.murphy@tn.gov](mailto:wade.murphy@tn.gov), you may contact me at (615) 532-0676.

Sincerely,



Jessica Murphy  
Manager, Compliance and Enforcement Unit  
Division of Water Resources

EJM: DLM

Attachments: ATTACHMENT 1  
Sewerage Systems CD Approved pdf

cc: DWR – EFO – Columbia, [sherry.glass@tn.gov](mailto:sherry.glass@tn.gov)  
TDEC-OGC – [Stephanie.durman@tn.gov](mailto:Stephanie.durman@tn.gov)  
Case WPC16-0031

ATTACHMENT 1A. Regarding Immediate Tasks Necessary to Continue Building Houses or other EstablishmentsInformation Requested

- Identifying lots by map and parcel numbers for which Connelly Group or another person has a legally enforceable commitment for building construction effective prior to November 30, 2017, along with explaining the form of commitment for each lot;
- Identifying the steps and expected timeline to transfer ownership of the sewage treatment plant parcel to the HOA,
- Identifying the steps and timeline for returning the HOA to good standing with the Secretary of State of Tennessee,
- Identifying the steps and timeline for filing, in the name of the HOA, an initial \$20,000 performance security in form acceptable to the TDEC Division of Financial Responsibility.

B. Regarding Ownership for Permit ReissueInformation Requested

1. A copy of the warranty deed demonstrating the HOA owns the parcel containing the waste water treatment plant;
2. The basis for the receiving entity to operate and maintain a sewerage system including, but not limited to,
  - Articles, deeds, covenants or contracts that establish the entity's ownership rights to the assets,
  - Sewer service agreement applicable to new HOA customers and resold homes,
  - A financial audit, or equivalent, of the entity less than 2 years old,
  - The planned rate structure for services and the basis for their establishment, and
  - Documentation that the HOA has returned to good standing with the Secretary of State.

Rationale: Public utility law makes electrical connections for mobile and permanent establishments requisite on proof that the establishment has applied for a subsurface disposal system permit (SSDS) or is connected to public sewer.<sup>1</sup> Public utility regulation associates public status with ownership and is concerned with an entity's ability to operate and maintain sewerage system infrastructure and specifically includes as examples: municipalities, utility districts, corporations, entities under jurisdiction of the Public Utility Commission (privately-owned public utilities) or Federal Housing Administration (FHA) works<sup>2</sup>.

C. Regarding Financial Performance Security for Permit ReissueInformation Requested

A final performance security, in the form acceptable to TDEC for complying with the statute, in the amount negotiated with TDEC staff to continue wastewater collection and treatment service in the event of partial or complete system failure or abandonment. Terms for an acceptable Certificate of Deposit are attached.

Rationale: State water quality law requires financial security of persons intending to construction or operate a sewerage system, not to exceed \$75,000.00, for use in case of system failure or abandonment to remedy threat to public health or water quality.<sup>3</sup>

<sup>1</sup> T.C.A. §68-221-414

<sup>2</sup> Rule 0400-40-16-.02(8)

<sup>3</sup> T.C.A. §69-3-122

D. Regarding Outfall Location Confirmation for Permit Reissue

Information Requested

Conduct and provide the results of a dye trace on the outfall pipe. This is to include placement of a detection package (bug) at or near the terminus of the outfall pipe. With this test you will need to conduct a background test before selection of the dye to be used. You will need to submit the following:

- Comparable quantities of dye injected and recovered
- Laboratory analysis report confirming absence or presence of the dye
- Photograph of the bug inserted into the line.

Rationale: Permit terms and conditions are a function of receiving waterbody location<sup>4</sup>. The approved construction plans for the effluent line depict the outfall constructed to discharge onto a splash pad located on the river bank above the water level. The outfall does not present in this manner. Attempts by the division to locate the line via a highway right of way easement or one-call utility line locator have been unable to confirm that the outfall line exists on previously secured construction easements.

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<sup>4</sup> T.C.A. §69-3-108



CERTIFICATE OF DEPOSIT GUIDELINES

{Guidance governing the use of a Certificate of Deposit to meet the bonding requirements for Sewerage Systems as permitted by the Division of Water Resources of the Tennessee Department of Environment and Conservation (TDEC).

Certificates of deposit submitted to fulfill the financial assurance requirements of the Division of Water Resources must meet all of the following criteria:

- (a) The financial institution holding the funds must be a commercial financial institution regulated by an appropriate federal agency or by the Tennessee Department of Financial Institutions.
- (b) The certificate of deposit must be registered as follows: "Corporation XYZ and Tennessee Department of Environment and Conservation or Tennessee Department of Environment and Conservation". All of the above statement within the quotation marks must be in the registration of the ownership of the account holding the deposit.
- (c) The certificate of deposit must be automatically renewed annually.
- (d) One of the following must be submitted to TDEC, and must include all terms and conditions of the CD:
  - The original certificate of deposit
  - A safekeeping receipt
- (e) The CD must be accompanied by a letter on bank letterhead that contains the following:
  - The CD Number
  - The name of the operator
  - The date issued

AND, the following statement:

"Notwithstanding any contrary term or condition of the above described Certificate of Deposit, [NAME OF FINANCIAL INSTITUTION] (the "Financial Institution") hereby covenants, warrants and represents that said Certificate of Deposit shall not be subject to any right, charge, security interest, lien or claim of any kind in favor of the Financial Institution. The Financial Institution further agrees that it shall not release the Certificate of Deposit or the proceeds thereof, including interest thereon, to anyone other than to the Tennessee Department of Environment and Conservation (the "Department") without the written consent of the Department."

(NOTE: In accordance with public policy of the state against unnecessary disclosure of social security numbers as reflected at TCA §47-18-2110 and the rule chapter listed above, the Tennessee Department of Environment and Conservation strongly recommends that social security numbers not be visible on any financial instrument submitted to TDEC as financial assurance. While TDEC will take all measures possible to prevent the improper disclosure of social security numbers from such financial instruments as issued by private financial institutions, TDEC does not accept any liability for any customer's financial losses due to the presence of social security numbers on such instruments held by TDEC as financial assurance.)



William Pegram  
President and Chairman of the Board  
Chapel Woods Home Owners Association  
P.O. Box 39  
Chapel Hill, TN 37034  
October 26, 2015

Sherry Glass  
Environmental Program Manager  
State of Tennessee Department of  
Environment and Conservation  
Division of Water Resources  
Columbia Environmental Field Office  
1421 Hampshire Pike  
Columbia, TN 38401

Dear Sherry Glass:

This letter is the official response to Notice of Violation letter issued to Chapel Woods Home Owners Association in September 2015 for NPDES Permit # TN0062073

I, William Pegram, submit this letter on behalf of the Chapel Woods Home Owners Association as Chairman of the Board put in place by popular vote at a public meeting on March 23, 2014. There are presently 4 elected volunteer members on the board. We, the board members have made a great level of improvement in equipment conditions at the plant as well as improved the quality of the effluent discharged by the plant since being forced to take over the plant in the fall of 2013 when the former developer sold his interests in the community and resigned suddenly without warning. The plant was in a grave state of disrepair, equipment had not been calibrated in well over a year, and there were more bills due than money in the account at hand over. In addition, collections were and had been low at approximately 50% putting the HOA and the sewer plant in financial risk to maintain the proper operation of the sewer treatment plant short term, much less indefinitely. Collections have improved and the financial state is improving as well. The board members understand the issues as outlined in the NOV and have been working to develop solutions to those issues since the NOV we received in 2014, and also note that the same issues existed in NOV's issued to the former developer, Brent Campbell, in 2011 and again in 2013 with no resolution. The level of improvement is evidenced by the fact that the Current NOV issued included only 2 NOV Items while the NOV issued in June 2013 had 23 issues outlined with a total of 40 line items including sublines.

NOV Item 1a) Plant operator does not have the required Grade 1 and Collections 1 certification.

- The current operator, Kenny Bond, is certified to a BNS as was the level maintained since the operations began for the Chapel Woods Sewer Treatment facility as far as we have any evidence.
- The Board understands that this requirement was changed with the current permit by a standards change within the State of TN Department of Environment and Conservation.
- The board has been following leads from our current sewer plant operator and contacts with Cartwright Creek, LLC to inquire interest in taking on the position of operator at our plant. All contacted have declined including a request for proposal to Cartwright Creek, LLC take over the sewer plant operations entirely.
- The Board has recently received a list of all persons holding a valid sewer treatment license in the surrounding area from the Flemming Center. We are in the process of contacting them by phone and letter of inquiry to find potential candidates to satisfy the Grade 1 and Collections 1 requirements of our permit.

NOV Item 1b) No Reserve Fund and no proof of adequate bond or financial security

- The Chapel Woods Home Owners Association as of this Month of October 2015 has established a separate savings account to serve as the Reserve Fund. The present Reserve Fund is \$5,000 due to the success of recent collection activities and sales of existing and new homes in recent months.
- Proof of adequate financial security or bond has been the largest hurdle for the HOA to overcome due to poor collection practices from many consecutive years in the past. The Board and some community supporters have worked countless hours over the last 2 years to begin changing the mindset of the majority of home owners in the community with respect to the HOA Board and the Sewer Treatment Plant. We have increased collections to the 60% level in the last two quarters over a typical 50% in previous quarters. This was done through numerous public meetings, newsletters and a couple of community activities at Christmas last year to attempt to increase community pride and bring the community members together.
- During the last public meeting held at the end of June, we voted in a significant increase in past due charges and included high visibility flyers with the 3<sup>rd</sup> QTR billing indicating the new past due fees would go into effect in 4<sup>th</sup> QTR billing.
- We also have contracted with a law firm specializing in collections to proceed with collection activities on the larger delinquencies. That Notice was mailed out to all of the home owners in early August warning them of the contracted collections activity.

- We have had a good response from these activities as over 20 home owners have paid all of their back debt and/or a portion of their back debt with commitment plan to catch it up while paying their current dues beginning with 3<sup>rd</sup> and 4<sup>th</sup> QTRs.
- As a result of these improved collections, the HOA not only has a reserve fund but now has sufficient operating funds to manage any mechanical failures at the plant short of a total system failure due to a catastrophic event.
- Chapel Woods HOA did propose a Bond of \$25,000 funded largely by Connely Group the largest single investor in our community. This proposal was previously rejected though we are not sure the full reason. The HOA still supports a proposal of a \$25,000 cash bond in lieu of a moratorium on the system based on the financial security alone. The Cash bond would be held by a Third Party with the State named as beneficiary. We will continue the collections activity in the coming months and expect that within the next year the Bond amount could be increased substantially provided Connely Group will still honor their proposal at a time in the future. Current outstanding past due fees total approximately \$40,000.

We, the board members, understand the need to address all of the concerns identified in the NOV letter from September 2015 to assure that the Treatment Plant will continue to function properly. We further understand the need to strengthen the financial assets of the HOA to assure the ability to address any repair issues and manage exceptions in case of emergency to prevent possible discharge of effluent which does not meet the requirements of the permit. Our present financial constraints will be the limit of the speed at which the improvements can continue to be made.

The Chapel Woods HOA requests that you consider the Reserve Fund requirement met at this time with the understanding that the Reserve Fund will be increased with continued past due collections and sewer taps on new homes which are now selling in our community.

The HOA further requests that the State strongly reconsider our Bond proposal or provides some guidance as to what would be acceptable short of the \$75,000 max limit bond requirement that is presently unattainable with the HOA's lack of assets and less than ideal collection rate, though presently improving.

Sincerely,

Board Members of Chapel Woods HOA

William L Pegram, President and Chairman of the Board

William L Pegram

Jimmy Skinner, Board member and sampling technician

Jimmy L. Skinner

Robert Sewell, Board member

Robert Sewell

Isaac Zimmerle, Board member

Isaac Zimmerle

CC: Kenny Bond, Operator, Chapel Woods Homeowners Association

William Pegram  
President and Chairman of the Board  
Chapel Woods Home Owners Association  
P.O. Box 39  
Chapel Hill, TN 37034  
November 19, 2015

Sherry Glass  
Environmental Program Manager  
State of Tennessee Department of  
Environment and Conservation  
Division of Water Resources  
Columbia Environmental Field Office  
1421 Hampshire Pike  
Columbia, TN 38401

Dear Sherry Glass:

This letter is a follow up to the official response to Notice of Violation letter issued to Chapel Woods Home Owners Association in September 2015 for NPDES Permit # TN0062073

We have hired a new Operator for the Treatment Plant, who has Certification of Waste Water 4 and Collection Systems 2 exceeding the requirements of our permit. Mark Williams is the new operator effective 11/19 and will be signing off on the MOR for November 2015 and forward.

The Board has increased collections from home owners substantially since last June with close follow up on houses being sold to collect past due HOA fees. The efforts to increase collections has been successful also following the Past Due Rate increase notification in third Quarter statements followed by a commitment letter in which the home owners were notified of a Law Firm hired to pursue collection activities. Presently we have \$5500 in the bank in a Reserve Savings account and expect it to top \$10K before the end of the year. We are planning to use this reserve fund and our income stream to persuade our bank to loan us the \$8K needed to install the UV system by the end of the year. If we cannot get the loan, we will likely proceed with the UV installation by early next year using a portion of our reserve funds.

In addition to the collections and financial improvement of the HOA, we have made several other operational improvements to the Treatment Plant. The first of which was the recent installation of the 2<sup>nd</sup> pump in the lift station. Now both are functioning so that the 2<sup>nd</sup> motor



Sherry Glass

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will kick in as needed in the event of a high level alarm to insure no overflow would occur even if the other motor failed unexpectedly. The second major improvement is the addition of an enclosed structure covering the entire outfall area including the post treatment station and the discharge station. This will provide for better consistency and reduced complications with taking samples during severe weather conditions such as extreme cold and rain.

During our conversation yesterday, I understood that there may have been some confusion on our proposal of the \$25K bond. I would like to try to make our intentions clearer. The \$25K bond would be a Cash Bond with the State as the named Beneficiary. Chapel would secure the Bond with \$25K in Cash as we have no assets or financial security to purchase a bond at less than the full Cash value. These funds would obviously be held by the Bond holder and could not be used by anyone unless the Bond was cancelled by the State. We would hope that in the event of a natural disaster that the State would release the Bond to allow the HOA to use those funds in emergency and allow the HOA to reestablish the Bond when the crisis is managed. The HOA understands the funds would not be available for use otherwise. Fortunately with our recent collections resulting in a Reserve fund establishment, this would be less likely to be needed.

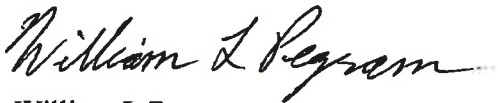
As for the concerns for the adequacy of the Bond amount at \$25K, I would like to notify all concerned that all the moving parts in the plant could be purchased for less than \$25K. That would cover all the parts in the event of a lightning event that may burn out all of the electrical components. Details as follows:

2 Discharge Pump and motor Assemblies	\$1800 total
1 Recirculation Pump and motor Assembly	\$900
2 Lift Station Pump and Motor Assemblies	\$2400 total
Complete new control center for Lift station	\$6000
Complete new control center for Discharge station	\$6000
New Flow meter	\$3500
Total	\$20,600

Sherry Glass  
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Therefore, you can see that the \$25K Bond would cover the greatest risk to the plant operations short of a total loss Natural Disaster. The Board will continue to improve the plant operations and purchase back up equipment to have on site as the financial security improves. Please reconsider the Bond proposal to close our current NOV and we can revisit the potential for increasing the Bond when the permit is renewed in a few years as the Financial Status of the HOA should be significantly improved by that time.

Sincerely,

A handwritten signature in black ink, reading "William L Pegram". The signature is written in a cursive, flowing style.

William L Pegram

President and Chairman of the Board