



Supplemental Environmental Project Semi-Annual Report Volume 10

**Tenth Semi-Annual Report
July 1, 2009 – December 31, 2009**

Submitted to EPA on January 28, 2010

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 such 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.


D. Wayne Loveday

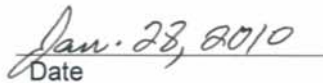

Date

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Grant and Loan Program Income Guidelines

**Supplemental Environmental Project
Tenth Semi-Annual Report
July 1, 2009, through December 31, 2009**

1. Introduction

KUB is required to perform and complete a Supplemental Environmental Project (SEP) as set forth in Section VIII. Supplemental Environmental Project and Appendix B Supplemental Environment Project of the Consent Decree (CD). *This project was undertaken in connection with the settlement of a civil enforcement action taken by the United States for violations of the Clean Water Act.* This Semi-Annual Report covers events from July 1, 2009, through December 31, 2009.

In addition to the required SEP funding, KUB has also voluntarily established a low-income, no-interest loan program. This program serves customers earning a predetermined percentage of median income. The cost of the lateral repair or replacement is added to the customers' KUB bill over a period of 48 months.

One customer was approved for the no-interest loan during this reporting period. Payment was disbursed for this property. Payment was also dispersed for 2 properties that were completed in the last reporting period. The total amount dispersed for loans during this reporting period was \$5,994.38.

2. Deposit of Funds to the SEP Escrow by KUB

No deposits to the SEP Escrow Account were scheduled during the reporting period. The next deposit to the Escrow Account is scheduled for February 11, 2010.

3. Disbursement of Funds From the SEP Escrow by Escrow Agent to the Third Party Administrator to Pay Plumbers for Services Completed

A total of \$181,779.52 was disbursed from the SEP Escrow Account to the Third Party Administrator during this reporting period. The disbursements are shown in the table below.

Date of Invoice	Amount Invoiced	Number of Laterals Repaired/Replaced	Amount Disbursed
7/1/2009	\$25,774.05	14	\$25,774.05
8/3/2009	\$53,560.86	19	\$53,560.86
9/1/2009	\$36,678.23	15	\$36,678.23
10/6/2009	\$28,786.30	13	\$28,786.30
11/5/2009	\$18,293.08	8	\$18,293.08
12/3/2009	\$18,687.00	7	\$18,687.00
Totals	\$181,779.52	76	\$181,779.52

4. Balance of Funds in the SEP Escrow

The balance in the SEP Escrow Account, as of December 31, 2009, is \$537,181.95. The disbursements from the escrow account and the accrued interest for this reporting period are shown in the table below.

Date	Deposit	Disbursement	Accrued Interest	Balance
7/1/2009		\$25,774.05	\$85.76	\$693,010.52
8/1/2009		\$53,560.86	\$62.77	\$639,512.43
9/1/2009		\$36,678.23	\$40.78	\$602,874.98
10/1/2009		\$28,786.30	\$31.18	\$574,119.86
11/1/2009		\$18,293.08	\$24.42	\$555,851.20
12/1/2009		\$18,687.00	\$17.75	\$537,181.95

5. Payment of Funds by Third Party Administrator to Plumbers

In this reporting period, the Third Party Administrator made the following payments to plumbers for services completed at the properties listed below.

Property Address	Plumber	Amount
[REDACTED]	Lyon Plumbing	\$1,450
[REDACTED]	Lyon Plumbing	\$3,680
[REDACTED]	Lyon Plumbing	\$1,835
[REDACTED]	Lyon Plumbing	\$3,940
[REDACTED]	Lyon Plumbing	\$4,700
[REDACTED]	Lyon Plumbing	\$6,100
[REDACTED]	Lyon Plumbing	\$1,085
[REDACTED]	F M Plumbing	\$2,389
[REDACTED]	Lyon Plumbing	\$1,325
[REDACTED]	East TN Rooter	\$2,648.13
[REDACTED]	East TN Rooter	\$1,820.40
[REDACTED]	East TN Rooter	\$1,818.20
[REDACTED]	East TN Rooter	\$2,016.70
[REDACTED]	Lyon Plumbing	\$4,495
[REDACTED]	Lyon Plumbing	\$4,323.75
[REDACTED]	F M Plumbing	\$3,006
[REDACTED]	Mo's Mechanical	\$2,716.50
[REDACTED]	Lyon Plumbing	\$3,795
[REDACTED]	F M Plumbing	\$2,210.63
[REDACTED]	Paul Hayes Plumbing	\$2,010
[REDACTED]	Paul Hayes Plumbing	\$1,320
[REDACTED]	Mo's Mechanical	\$3,046.50
[REDACTED]	Mo's Mechanical	\$1,992.50
[REDACTED]	Lyon Plumbing	\$1,375
[REDACTED]	Lyon Plumbing	\$4,895
[REDACTED]	Lyon Plumbing	\$2,500
[REDACTED]	Lyon Plumbing	\$1,625
[REDACTED]	Lyon Plumbing	\$1,420
[REDACTED]	Lyon Plumbing	\$2,997

[REDACTED]	Lyon Plumbing	\$2,950
[REDACTED]	Paul Hayes Plumbing	\$2,140
[REDACTED]	F M Plumbing	\$4,225
[REDACTED]	East TN Rooter	\$1,423.30
[REDACTED]	East TN Rooter	\$1,987.60
[REDACTED]	F M Plumbing	\$3,038
[REDACTED]	Mo's Mechanical	\$2,141
[REDACTED]	F M Plumbing	\$1,114
[REDACTED]	East TN Rooter	\$1,694.80
[REDACTED]	Mo's Mechanical	\$1,942.30
[REDACTED]	Lyon Plumbing	\$2,900
[REDACTED]	Lyon Plumbing	\$1,600
[REDACTED]	East TN Rooter	\$1,630.30
[REDACTED]	Paul Hayes Plumbing	\$2,140
[REDACTED]	Lyon Plumbing	\$4,100
[REDACTED]	Lyon Plumbing	\$1,600
[REDACTED]	Mo's Mechanical	\$1,351.68
[REDACTED]	Paul Hayes Plumbing	\$2,145
[REDACTED]	East TN Rooter	\$2,405.40
[REDACTED]	Lyon Plumbing	\$2,085
[REDACTED]	F M Plumbing	\$2,466
[REDACTED]	Lyon Plumbing	\$4,780
[REDACTED]	F M Plumbing	\$2,584
[REDACTED]	Lyon Plumbing	\$2,389
[REDACTED]	Mo's Mechanical	\$1,592
[REDACTED]	Lyon Plumbing	\$2,035
[REDACTED]	F M Plumbing	\$2,043
[REDACTED]	Mo's Mechanical	\$814.50
[REDACTED]	East TN Rooter	\$4,492.50
[REDACTED]	Lyon Plumbing	\$2,000
[REDACTED]	Lyon Plumbing	\$3,220
[REDACTED]	Lyon Plumbing	\$2,450
[REDACTED]	Lyon Plumbing	\$2,325
[REDACTED]	Paul Hayes Plumbing	\$1,890
[REDACTED]	Mo's Mechanical	\$2,114
[REDACTED]	Lyon Plumbing	\$4,200
[REDACTED]	Lyon Plumbing	\$1,530
[REDACTED]	Lyon Plumbing	\$2,760
[REDACTED]	Mo's Mechanical	\$1,851.68
[REDACTED]	F M Plumbing	\$2,891

6. Location of Private Residential Properties Where Services Have Been Performed Under the SEP Program

Private service laterals have been repaired or replaced under the SEP program at the following locations during this reporting period.

Owner	Property Address	Work Complete Date
[REDACTED]	[REDACTED]	7/2/2009
[REDACTED]	[REDACTED]	7/6/2009
[REDACTED]	[REDACTED]	7/14/2009
[REDACTED]	[REDACTED]	7/14/2009
[REDACTED]	[REDACTED]	7/15/2009
[REDACTED]	[REDACTED]	7/16/2009
[REDACTED]	[REDACTED]	7/21/2009
[REDACTED]	[REDACTED]	7/21/2009
[REDACTED]	[REDACTED]	7/21/2009
[REDACTED]	[REDACTED]	7/21/2009
[REDACTED]	[REDACTED]	7/27/2009
[REDACTED]	[REDACTED]	8/6/2009
[REDACTED]	[REDACTED]	8/6/2009
[REDACTED]	[REDACTED]	8/6/2009
[REDACTED]	[REDACTED]	8/6/2009
[REDACTED]	[REDACTED]	8/10/2009
[REDACTED]	[REDACTED]	8/10/2009
[REDACTED]	[REDACTED]	8/10/2009
[REDACTED]	[REDACTED]	8/13/2009
[REDACTED]	[REDACTED]	8/13/2009
[REDACTED]	[REDACTED]	8/20/2009
[REDACTED]	[REDACTED]	8/20/2009
[REDACTED]	[REDACTED]	8/20/2009
[REDACTED]	[REDACTED]	8/20/2009
[REDACTED]	[REDACTED]	8/28/2009
[REDACTED]	[REDACTED]	8/28/2009
[REDACTED]	[REDACTED]	8/28/2009
[REDACTED]	[REDACTED]	8/28/2009
[REDACTED]	[REDACTED]	8/28/2009
[REDACTED]	[REDACTED]	8/31/2009
[REDACTED]	[REDACTED]	8/31/2009
[REDACTED]	[REDACTED]	9/1/2009
[REDACTED]	[REDACTED]	9/1/2009
[REDACTED]	[REDACTED]	9/4/2009
[REDACTED]	[REDACTED]	9/15/2009
[REDACTED]	[REDACTED]	9/15/2009
[REDACTED]	[REDACTED]	9/23/2009
[REDACTED]	[REDACTED]	9/28/2009
[REDACTED]	[REDACTED]	9/29/2009
[REDACTED]	[REDACTED]	10/2/2009

[REDACTED]	[REDACTED]	10/12/2009
[REDACTED]	[REDACTED]	10/12/2009
[REDACTED]	[REDACTED]	10/21/2009
[REDACTED]	[REDACTED]	10/21/2009
[REDACTED]	[REDACTED]	10/22/2009
[REDACTED]	[REDACTED]	10/23/2009
[REDACTED]	[REDACTED]	10/23/2009
[REDACTED]	[REDACTED]	10/24/2009
[REDACTED]	[REDACTED]	10/26/2009
[REDACTED]	[REDACTED]	10/28/2009
[REDACTED]	[REDACTED]	10/28/2009
[REDACTED]	[REDACTED]	10/30/2009
[REDACTED]	[REDACTED]	11/6/2009
[REDACTED]	[REDACTED]	11/10/2009
[REDACTED]	[REDACTED]	11/18/2009
[REDACTED]	[REDACTED]	11/20/2009
[REDACTED]	[REDACTED]	11/23/2009
[REDACTED]	[REDACTED]	11/24/2009
[REDACTED]	[REDACTED]	11/30/2009
[REDACTED]	[REDACTED]	12/7/2009
[REDACTED]	[REDACTED]	12/15/2009
[REDACTED]	[REDACTED]	12/17/2009
[REDACTED]	[REDACTED]	12/18/2009

7. SEP Implementation and Ongoing Tasks

The Private Lateral Program (PLP) was implemented in 2005 to address defective laterals and improper connections within KUB's collection system. Prior to program implementation an initial analysis was performed to determine the approximate number of defective laterals in KUB's wastewater system and smoke testing was chosen as the primary tool for determining defects and prohibited connections requiring enforcement action. Also, during the development of this program, homeowner income information from all areas of the KUB wastewater service area was obtained to establish hardship eligibility guidelines for funding assistance provided under the SEP for private lateral rehabilitation. A careful examination of expected lateral failure rates, in addition to 2000 Census homeowner income information was performed to determine how to best establish income limits for financial assistance and extend this support to as many customers as possible. The income limits selected were those from the Housing and Urban Development (HUD) guidelines for very low income households, where very low income is defined as less than 50% of the median income based on family size. HUD guidelines are widely used in many homeowner assistance programs and include limits for homeowner incomes defined at very low, low, and moderate levels relative to median income for service area. In the first two years of the PLP, the very low Income limits updated annually for earning growth by HUD were used in determining a property owner's eligibility for funding under the SEP Grant⁽¹⁾ program.

During this time KUB gained information about the number of defective laterals in its system, the best tools for evaluating the collection system problems, and the income qualification rate for financial assistance where defective laterals are identified. In addition to smoke testing, closed circuit camera televising (CCTV) was evaluated for use in determining defects in 2006. CCTV of private laterals after mainline rehabilitation quickly became the most preferred means of accurately determining defects to avoid unnecessary repairs and continues to be the primary tool for determining the need for lateral rehabilitation. All private laterals are subject to inspection as prescribed in the CSSAP, and this specific tool has been very effective in resolving any questions related to required corrective action and enforcement. In many cases CCTV has confirmed the need for only a point repair and as many as one third of all defective laterals have required only repairs rather extensive than replacement. Although the defective lateral rate varies with the specific area of the system, KUB has observed an average lateral failure rate of 35 percent.

In the first two years of the program implementation, KUB also determined from the PLP data that areas with the highest failure rate also had a large number of tenant occupants. By the end of 2007 the average tenant occupancy rate of properties requiring lateral repair was at least 40%. These situations greatly reduced the expected number of property owners eligible to apply for assistance.

An analysis of upcoming projects associated with the CAP/ER based on historical failure rates and Grant approvals indicated that 50% of the median income was too low for many homeowners to qualify. Thus, an adjustment was made to the income guideline limits for Grant qualification to permit more property owners to qualify for funding assistance over the remaining five years of the program. On January 1, 2008, KUB moved the income guidelines for Grant⁽¹⁾ program qualification from 50% of median income (very low income) to 80% of median income (low income). This adjustment was communicated in the Sixth SEP Semi-Annual Report.

During this SEP semi-annual period a similar analysis of all PLP data including historical failure rates, grant approvals and the projects to be undertaken in the next three years was conducted. An analysis was also conducted related to the percentage of tenancy in various sub-basins and those applications that failed to qualify for assistance. In the last two years, KUB completed CAP/ER projects in some areas that were expected to have high grant qualification rate, but the tenant occupancy in these areas rose to 55%. From this analysis it was determined that an adjustment of median income requirement again would permit more homeowners to qualify and make use of the eligible funds in the remaining three years of the SEP. This adjustment would also be very beneficial to homeowners at a time when many customers might be struggling economically.

The SEP states that very low, low and moderate income levels are eligible to receive funding assistance. Beginning January 1, 2010, KUB will increase the income guidelines for Grant⁽¹⁾ program qualification from 80% of median income (low income) to 95% of income (moderate income). The 95% level is defined as moderate income by the US Department of Housing and Urban Development (HUD). The increase follows research of homeowner incomes in the Knox County area based on 2000 Census data obtained from the Knoxville/Knox County Metropolitan Planning Commission. The expected result is an increase in the number of approved applications over the remaining three years of the program, while ensuring support for customers that need assistance the most during the remainder of this period. KUB will continue to analyze information related to defect rates and income qualification as necessary to satisfactorily complete the SEP in accordance with the Consent Decree.

Effect of Previous Income Qualification Limits:

During this reporting period, 8 property owners qualified for Grants due to the increase in the income guidelines effective January 1, 2008. KUB continues to analyze information related to defect rates and income qualification as necessary to satisfactorily complete the SEP in accordance with the Consent Decree.

8. Tasks Scheduled for the Next Six Months

The following tasks are scheduled for the next six months:

- Continue to identify properties with defective laterals or prohibited connections.
- Continue private lateral enforcement notifications.
- Make payments from the Escrow account for work completed under the SEP.
- Make eighth SEP funding deposit to the Escrow Account.

Appendix A

Grant and Loan Income Guidelines

**GRANT AND LOAN PROGRAM
INCOME GUIDELINES**

Family Size	Grant Program 95% of Median Income	Loan Program 100% of Median Income
1	39,140	41,200
2	44,650	47,000
3	50,255	52,900
4	55,860	58,800
5	60,325	63,500
6	64,790	68,200
7	69,255	72,900
8	73,720	77,600