Tennessee Duck River Development Agency

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To TDRDA Board of Directors, Governor Haslam, legislators and governing bodies of the Duck River Watershed:

State law requires that the Tennessee Duck River Development Agency (the "Agency") publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the financial statements, supplementary information and independent auditors' report of the Agency for the fiscal year ended June 30, 2012 along with a summary of major activity accomplishments in FY2012 and summary for FY2013 Program.

BACKGROUND

The Tennessee General Assembly created the Tennessee Duck River Development Agency in 1965 as a comprehensive regional development agency. Its broad powers include the "control and development of the water resources" of those portions of the Duck River Watershed lying in Bedford, Coffee, Hickman, Marshall and Maury Counties. In 1998, the DRA Board of Directors adopted the following new mission statement: "To develop, protect, and sustain a clean and dependable water resource for all citizens of the Duck River region." This change in the Agency's mission resulted from TVA discontinuing construction of Columbia Reservoir. Seven area water systems contribute five cents per one thousand gallons of water sold into a trust that provides funding for water supply and water quality projects as well as operating expenses of the Agency.

SUMMARY OF MAJOR ACTIVITES AND ACCOMPLISHMENTS FOR FY2012

Other than performing administrative, accounting, financial management, and program management functions in support of the Agency's mission, the Agency was also involved in the following activities:

USGS Gauges: The United States Geological Survey operates six stream gauges for the Agency and TVA in a joint funding agreement. The gages provide real time data and historical information to support the Oasis model that is used to monitor water-use trends and drought forecasting.

Regional Duck River Cleanup: More than 500 volunteers participated in cleanup activities on the Duck River. The Agency supports the clean-up by providing T-shirts and garbage bags to volunteers recognizing their commitment to a cleaner Duck River.

Comprehensive Regional Water Supply Plan (WSP) Implementation: The WSP was completed in late fall of 2010 and was approved by the Duck River Agency Board. The WSP consists of five programs and projects that are designed to meet water supply needs for 50 years with a 100 year vision in the Duck River Region. The five components are made up of three non-structural programs and two structural projects listed below with a summary:

- **Regional Drought Management Plan**
  The Regional Drought Management Plan (DMP) was near completion in FY2012. The DMP Task Force worked together during the year and actually had an opportunity to test the triggers and stages during a four-month drought in the spring of 2012. Several changes to

triggers and stages were investigated and modeled after the spring drought then changes made to the DMP. The DMP should be completed and submitted to TVA and TDEC early 2013.

- **Optimizing Releases from Normandy Reservoir**
  A team was formed with members from USF&W, TVA and DRA to develop alternatives to optimize operations at Normandy Reservoir that will benefit water supply. A report will be coming out in early 2013 with alternative recommendations.
- **Water-use Efficiency Program**
  This program will begin in FY2013.
- **Normandy Reservoir Capacity Improvements**
  Phase I (Stability Engineering Analyses) was about 40% complete in FY2012. With the completion of Phase I in FY2013, the feasibility of the project will be determined. Upon approval to continue with Phase II (Geotechnical Investigations) a MOA with TVA will be signed before further investigations.
- **New Intake for Columbia Power and Water Systems**
  OBG began initial investigations in the spring of 2012. The investigations raised questions about the need of a regional water treatment plant. A feasibility study for the Maury County region will be conducted in FY2013.

SUMMARY OF MAJOR ACTIVITES FOR FY2013

Annual Programs and Contracts

1. **USGS Gaging Stations:** Contract #12ESTNGEML00004 with USGS to operate gaging stations at Shelbyville and Columbia. Estimated budget for FY2013 is $30,400. Total cost for operation of the gaging stations is $51,300 with USGS Federal Matching Funds of $20,900.00. This is a reimbursable contract with TVA paying the DRA share. By agreement with TVA and USGS, DRA did not renew its part of the agreement on October 1, 2012 for FY2013. The gages will continue to operate under an agreement between TVA and USGS.
2. **USGS Gaging Stations:** Contract #12ESTNGEML00005 with USGS to operate gaging stations at Rock Creek, Fountain Creek, Milltown and Sowell Mill Pike Bridge. Estimated DRA budget for FY2013 is $37,600.00. Total cost for operation of the gaging stations is $61,600.00 with USGS Federal Matching Funds of $24,000.00. This agreement will be renewed October 1, 2013.
3. **Annual Duck River Cleanup:** Provide T-shirts and plastic garbage bags for volunteers. Estimated budget for FY2013 is $3,000.00.

Regional Water Supply Plan Implementation Projects

4. **O'Brien & Gere Engineers, Inc (OBG):** OBG has been the Agency's primary consultant since July 2009. The first project the Agency contracted with OBG was to develop a long term comprehensive regional water supply plan which was completed and approved by the Agency Board of Directors and members of DRATAC in October 2010. Upon approval, the Agency contracted with OBG to be the primary consultant to begin implementation of the water supply plan recommended programs and projects. Listed below is a summary of the FY2013 Program:
   a. **Program Management:** An O&G Principal Project Manager will be assigned to assist the DRA executive director with the following activities for implementing water supply projects but not limited to: 1)implementation planning, 2)scheduling, 3)progress reports. OBG's estimated budget for FY2013 services is $8,260.00.
   b. **Duck River Regional Drought Management Plan:** The Agency contracted with OBG in FY2011 to develop the plan and HydroLogic's, Inc. to provide modeling

support. The planning phase of the project was completed in late 2012 with an estimated budget of $114,420.

Regional Drought Management Plan Exercise: In FY2013 OBG will prepare and participate in a Virtual Drought Exercise with DRATAC and local agencies. The exercise will be initiated every 5 years for updating the plan. OBG's estimated budget for FY2013 services is $8,470.

c. **Optimizing Normandy Reservoir Releases:** The Agency contracted with OBG in FY2012 to study and recommend improvements for reservoir releases that would improve water storage conditions during periods of drought. The study phase and recommendation report may continue into FY2013. OBG's estimated budget is $37,620.00.

d. **Water-Use Efficiency Program:** In FY2013 OBG will assist the Agency in developing a regional water-use efficiency program. A two-part report will be developed that documents existing water utility programs and also includes a plan for implementing future water-use efficiency projects. OBG's estimated budget for services is $19,890.

e. **Normandy Reservoir Capacity Improvements:** OBG began Phase I with initial investigations and engineering analyses in FY2011 and continued in FY2012 to determine the feasibility of raising Normandy Dam for capacity improvements. Activities #1 and #2 below summarize Phase I and II. OBG's estimated budget for FY2013 services is $15,080 and listed in activities #3 and #4 below.

1) Phase I: OBG is completing stability analyses, developing alternatives, writing a summary report and developing a plan for geotechnical investigations. The stability analyses will determine the cost of raising the dam to increase water storage and is projected to be completed late summer 2012. OBG's estimated budget for Phase I investigations is $109,428.00.

2) Phase II: The summary report and plan developed in Phase I for geotechnical investigations will provide estimated cost for the next phase of engineering analyses and investigations. This budget will be submitted for approval at appropriate time.

3) TVA Agreement: OBG will assist the Agency with developing a preliminary Memorandum of Agreement with TVA. OBG's estimated budget for services is $10,120.

4) DRUC Intake Improvements: OBG will review and document existing reports and data that will help decide feasibility of improving or relocating the DRUC intake for deeper withdrawals in lieu of increasing winter storage capacity. OBG's estimated budget for initial study is $4,960.00.

f. **Columbia Water Supply Intake near Williamsport:** From discussion with utility managers and community leaders a new approach needs to be considered for long term water supply needs in Maury County. To determine the best location and size of the pumping facility, it is recommended that a strategic plan for Maury County be developed that will determine the feasibility of a pipe line for Columbia Power and Water or a new regional treatment plant to serve the entire county. OBG's estimated budget for developing a strategic plan is $44,230.

g. **Financial Planning:** OBG will provide assistance to the Agency regarding the development of funding options for implementing the Water Supply Plan. OGB's estimated budget for assistance with developing funding options is $7,800.

5. **HydroLogic's, Inc.:** HydroLogic's developed and has provided on-call and as-needed modeling support for the Duck River OASIS Model. The Agency has a agreement, for time and materials, with a budget for $15,000 for HydroLogic's services.

6. **Financial Planning Consultant:** The Agency plans to investigate the need for a financial consultant and possibly retaining a consulting firm in late FY2013.

The Duck River Agency is committed to providing sustainable long term water supply to meet all needs in the Duck River Region. If you have any questions about the Agency's program please contact Doug Murphy, Executive Director, doug@duckriveragency.org or Linda Justice, Director of Finance, linda@duckriveragency.org or office (931)684-7820.

Respectfully submitted,

Tommy Peebles, Chairman
Tennessee Duck River Development Agency