



Knoxville Utilities Board

**Board Meeting Agenda
Thursday, August 16, 2018
Noon**

Call to Order

Roll Call

Approval of Minutes

Official Action

Resolution 1383 - Providing for a Purchased Power Adjustment for the Intended Purpose of Recovering the Cost of Wholesale Power Purchased for Resale to KUB's Customers, and Replacing the Existing Purchased Power Adjustment as Set Forth in Resolution 1065, as Amended

Resolution 1384 – Authorizing the Condemnation and the Taking of Permanent Utility Easements and Temporary Construction Easements on two Certain Properties located near Third Creek Road, Knoxville, Knox County, Tennessee

President's Report

Official Action

Resolution 1385 - Appointing _____ as President and Chief Executive Officer of Knoxville Utilities Board

Public Comments

Adjournment



Knoxville Utilities Board

August 10, 2018

Knoxville Utilities Board
445 South Gay Street
Knoxville, Tennessee 37902

Commissioners:

As you may recall, the Board previously adopted a Purchased Power Adjustment (PPA) to automatically flow-through changes in TVA's wholesale base rates and fuel cost valuations to KUB's electric customers. The PPA also includes an annual true-up mechanism to ensure KUB does not under recover or over recover its purchased power costs from its customers.

In addition to base rate changes and fuel cost calculations, TVA may also make changes to various programs it maintains, including the hydro preference allocation. TVA's hydro preference mechanism is designed to allocate the lower power cost benefit of TVA's hydro generation, which represents approximately 10 percent of TVA's generation portfolio, to residential customers in the Valley.

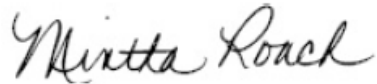
The mechanism works by TVA providing hydro credits on KUB's monthly power bill for sales to residential customers, and debits (or charges) on the power bill for sales to non-residential customers, which are then flowed through to KUB's customers through retail rates. TVA's goal is for credits and debits to balance across the Valley. The current hydro credit and debit values, which were established by TVA in 2011, are no longer in balance, as the total credits provided to residential customers across the Valley exceed the total debits or charges received by TVA. To correct the imbalance, TVA is planning to increase the value of the debits (or charges) for non-residential customers effective October 2018.

A revision to KUB's PPA is required for KUB to be able to appropriately flow-through TVA's rebalancing of hydro credits and debits to KUB's residential and non-residential customers. Absent Board action, the planned rebalancing by TVA will cause KUB's residential electric rates to increase approximately 0.2 percent under the existing PPA.

A briefing paper providing background and greater information on the revised PPA is attached for your information.

Resolution 1383 provides for the adoption of a revised PPA on first reading. Since the PPA impacts KUB's electric rates, two readings are required. Second reading will occur at the September 20 Board meeting. I recommend the approval of Resolution 1383 on first reading.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mintha Roach".

Mintha E. Roach
President and CEO

Attachment

Revised Purchased Power Adjustment – Resolution 1383

Background and Summary

The purpose of KUB's Purchased Power Adjustment (PPA) is to ensure purchased power costs are properly recovered. Historically, the Tennessee Valley Authority (TVA) would from time to time change the wholesale electric rates charged to KUB and all TVA distributors. The KUB Board passed Resolution 1065 in 2002 to create a PPA modeled after KUB's Purchased Gas Adjustment established in the 1970's to provide for automatic updates to retail rates based on wholesale rate changes.

In 2011 when TVA changed its wholesale rate structure from "End-Use" wholesale rates to "Demand and Energy" wholesale rates the KUB Board adopted Resolution 1240 which amended and further expanded the accounting entries and processes associated with the PPA, based on a cost recovery model adopted by the KUB Board in 1992 for the Purchased Gas Adjustment for the Gas Division. Currently, TVA changes its fuel cost valuation monthly, and typically has base rate changes on an annual basis. The methodology for cost recovery specified in KUB's PPA ensures that all changes in wholesale cost are passed to retail rates without additional markups and without the need for frequent Board actions to take effect.

In addition to base rate changes and fuel cost calculations, TVA may also make changes to various programs it maintains, such as the hydro preference allocation. TVA's hydro preference mechanism is designed to allocate the lower power cost benefit of TVA's hydro generating system to residential customers. The mechanism works by providing credits on a local power company's (i.e. KUB) wholesale bill for sales to residential customers, and debits, or charges, on the wholesale bill for sales to non-residential customers, which are then flowed through to the power company's customers. The wholesale contract between TVA and local power companies, like KUB, gives TVA the responsibility of reviewing and if needed, rebalancing the hydro credit and debit amounts. When in balance, the total debits assessed will equal the total credits given across the Valley. The current values, which were established in 2011, are no longer in balance - the credits given are exceeding the debits assessed - and TVA is planning to adjust them by increasing the charges for non-residential customers starting October 2018. The TVA Board voted in May to allow an administrative change to the hydro debits and credits process, designed to facilitate future rebalancing of the hydro values without waiting for a full rate change process to occur. While it has been 7 years since values have been rebalanced, TVA has indicated that future adjustments will likely occur more frequently.

This will require a change to KUB's PPA. The current value of the hydro debits and credits per kWh of electricity sold are included in the KUB base energy rates detailed in Appendix A to Resolution 1240. The amounts were embedded into KUB's PPA component values when the PPA was amended in 2011 and therefore KUB Board

action is required to properly allocate any changes TVA makes to the hydro values. While the existing PPA has served KUB customers well, we recommend it be amended to separately identify the hydro components. This change will provide for the appropriate flow through of the hydro values to customers like the other wholesale bill components. It will also facilitate accounting for the hydro energy debits and credits and will allocate the TVA rebalance amounts to the appropriate customer classes for October 2018, as well as any future TVA rebalancing of hydro energy debits and credits without additional actions by the Board. Absent Board action, the planned rebalancing by TVA will cause residential rates to increase approximately 0.2% under the existing PPA.

Specifically, the proposed changes include an updated Appendix A which will separate the hydro debit and credit values from the base rates. The proposed changes do not constitute a change in the overall methodology of cost recovery but will further refine the accounting mechanism to facilitate periodic rebalancing by TVA of the wholesale hydro energy debits and credits and provide for the timely implementation of future changes.

Additional changes recommended include updates to remove obsolete language and clarifications in terminology. These changes are housekeeping in nature and do not require any changes to the retail rate schedules of the Electric Division and will not result in any rate impacts to customers.

Staff will be providing a presentation on the proposed revisions to the PPA at the August 16 Board meeting, with a recommendation for approval of a revised PPA on first reading. If approved on first reading, second reading will take place at the September 20 Board meeting with an effective date of October 1, 2018.

RESOLUTION NO. 1383

A Resolution Providing for a Purchased Power Adjustment for the Intended Purpose of Recovering the Cost of Wholesale Power Purchased for Resale to KUB's Customers, and Replacing the Existing Purchased Power Adjustment as Set Forth in Resolution 1065, as Amended

Whereas, the Knoxville Utilities Board ("KUB") purchases electric power on the wholesale market for resale to its retail customers; and

Whereas, KUB presently purchases its entire power supply requirements from the Tennessee Valley Authority ("TVA"); and

Whereas, hydro generation represents approximately 10 percent of TVA's total sources of electric power generation; and

Whereas, TVA has assigned the benefit of hydro generation to residential customers in the Tennessee Valley region; and

Whereas, hydro generation credits are included in rates for residential electric customers and off-setting hydro generation debits are included in rates for non-residential electric customers; and

Whereas, TVA has recommended a rebalance of the hydro credit and debit amounts across the Valley which may affect the hydro adjustment amounts currently included in residential and non-residential rates; and

Whereas, the Knoxville Utilities Board of Commissioners ("Board") previously adopted Resolution 1065, as amended, establishing a Purchased Power Adjustment for recovering the cost of wholesale power purchased for resale to KUB's customers; and

Whereas, it is recommended the Board revise the Purchased Power Adjustment to allocate changes in the hydro credits and debits to the appropriate rates for cost recovery; and

Whereas, additional changes are recommended to the Purchased Power Adjustment for language updates; and

Whereas, it is in the best interest of KUB and its customers for KUB to adopt the Purchased Power Adjustment set forth in this Resolution

Now, Therefore, Be it Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:

Section 1

That the Purchased Power Adjustment previously established in Resolution 1065, as amended, shall be deleted in its entirety and replaced with the Purchased Power Adjustment as set forth below.

Section 2

That the Rate Schedules of the Electric Division of the Knoxville Utilities Board (KUB) shall be adjusted as follows:

PURCHASED POWER ADJUSTMENT

I. Provision for Adjustment

The electricity rates per kWh, per kW or per customer account billed as set forth in the Rate Schedules of the Electric Division (Division) shall be increased or decreased by amounts hereinafter described, which amounts are called the "Purchased Power Adjustment" or the PPA.

II. Intent and Application to Various Purchases

(a) This Purchased Power Adjustment is intended to assure that KUB recovers on an equitable basis the total cost of electricity purchased for delivery to its electricity sales customers. The PPA is further intended to assure that no excess or deficiency in cost recovery from KUB's electric customers occurs.

(b) The PPA anticipates various costs of purchased power for the general distribution system including, but not limited to:

1. the cost of energy purchased
2. the cost of power demanded
3. the amount of hydro preference adjustment

III. Definitions

The following definitions shall apply to the terms as used in this Section. Any term used in this Section that is not otherwise defined in this Section shall have the meaning customarily ascribed to that term in the electric industry.

(a) Adjustment period – the twelve-month period beginning with the Effective Date of the Purchased Power Adjustment

(b) Base Rates of Purchased Power are:

1. Standard Service Base Rates – as set forth in Appendix A to this resolution
 - i. Demand kW Base Rate – the components designed to recover the cost of demand through Demand kW Sales
 - ii. Demand kWh Base Rate – the components designed to recover the cost of demand through Demand kWh Sales
 - iii. Energy kWh Base Rate – the components designed to recover the cost of energy purchased through Energy kWh Sales
 - iv. Residential Customer Hydro Credit – the component designed to allocate the customer based hydro credit to each eligible residential customer account billed
 - v. Hydro Energy Credit – the components designed to allocate the wholesale hydro energy credit to applicable Energy Sales
 - vi. Hydro Energy Debit – the components designed to allocate the wholesale hydro energy debit to applicable Energy Sales
 2. Manufacturing and General Power Service Cost Components – the wholesale base rates as set forth in the current wholesale rate schedules from Supplier plus an historical average for distribution losses
- (c) Base Retail Electric Rates – the retail rates per kWh or kW of electricity use or power demanded, or per customer account billed, exclusive of PPA components
- (d) Billing Determinants – average Standard Service units billed to KUB by its Supplier during the Computation Period, adjusted for known and measurable changes
1. Demand Billing Determinants – average Standard Service kW
 2. Energy Billing Determinants – average Standard Service kWh
 3. Residential Customer Hydro Credit – the sum of eligible residential customer accounts billed during KUB's most recently completed fiscal year
 4. Hydro Energy Credit – average kWh used to calculate the hydro adjustment *credited* to KUB

5. Hydro Energy Debit – average kWh used to calculate the Hydro adjustment *debited* to KUB

(e) Change in Purchased Power Cost = Projected Purchased Power Cost less Power Cost Recovery (As follows):

1. Change in Demand Cost = Projected Demand Cost less Demand Cost Recovery
 - i. Change in Demand Cost kW = Change in Demand Cost x (Demand kW Power Cost Recovery/Demand Cost Recovery)
 - ii. Change in Demand Cost kWh = Change in Demand Cost x (Demand kWh Power Cost Recovery/Demand Cost Recovery)
2. Change in Energy Cost = Projected Energy Cost less Energy Cost Recovery
3. Change in Residential Customer Hydro Credit Cost = Projected Residential Customer Hydro Credit Cost less Residential Customer Hydro Credit Cost Recovery
4. Change in Hydro Energy Credit Cost = Projected Hydro Energy Credit Cost less Hydro Energy Credit Cost Recovery
5. Change in Hydro Energy Debit Cost = Projected Hydro Energy Debit Cost less Hydro Energy Debit Cost Recovery

(f) Computation Period – the thirty-six (36) month period utilized to compute historical volumes purchased from Supplier and billed to customers. Such period shall be the thirty-six (36) month period ending on the last day of the fiscal year which is not more than ninety-three (93) days prior to the proposed Effective Date, as hereinafter defined, which month shall be determined by KUB based upon the availability of the needed information

(g) Computation Period Sales – historic volumes billed to customers adjusted for known and measurable changes

1. Demand kW Sales – the sum of the average power demanded (kW) metered to Standard Service customers
2. Demand kWh Sales – the sum of the average volumes of electricity having a demand component (kWh) metered to Standard Service customers
3. Energy kWh Sales – the sum of the average volumes of electricity (kWh) metered to Standard Service customers

4. Residential Customer Hydro Credit Sales – the sum of eligible residential customer accounts billed in the most recent KUB fiscal year
 5. Hydro Energy Credit Sales – the sum of the average volumes to which the wholesale hydro energy credit applies, expressed in kWh, metered to eligible residential customers
 6. Hydro Energy Debit Sales – the sum of the average volumes to which the wholesale hydro energy debit applies, expressed in kWh, metered to Standard Service customers
- (h) Manufacturing and General Power Service – power and energy sold and billed to KUB under any classification other than Standard Service
- (i) Power Cost Recovery – the Projected Purchased Power Cost recovery during the Adjustment Period using the Base Rates. The Power Cost Recovery shall be calculated as follows:
1. Demand Cost Recovery – the sum of the Demand kW Power Cost Recovery and the Demand kWh Power Cost Recovery as described below:
 - i. Demand kW Power Cost Recovery = Demand kW Base Rates (\$) x Demand kW Sales (kW)
 - ii. Demand kWh Power Cost Recovery = Demand kWh Base Rates (\$) x Demand kWh Sales (kWh)
 2. Energy Cost Recovery = Energy kWh Base Rates (\$) x the sum of Energy kWh Sales (kWh)
 3. Residential Customer Hydro Credit Cost Recovery = Residential Customer Hydro Credit (\$) x Residential Customer Hydro Credit Sales (#)
 4. Hydro Energy Credit Cost Recovery = Hydro Energy Credit (\$) x Hydro Energy Credit Sales (kWh)
 5. Hydro Energy Debit Cost Recovery = Hydro Energy Debit (\$) x Hydro Energy Debit Sales (kWh)
- (j) Projected Purchased Power Cost – the Purchased Power Costs projected to be incurred by the Division during the Adjustment Period. The Purchased

Power Costs shall be based on the best information available to KUB and shall have categories as follows:

1. Projected Demand Cost = all projected Purchased Power Demand Costs including, but not limited to, Demand Billing Determinants x the appropriate Supplier Rates
2. Projected Energy Cost = all projected Purchased Power Energy Costs including, but not limited to, Energy Billing Determinants x the appropriate Supplier Rates
3. Projected Residential Customer Hydro Credit Cost = Residential Customer Hydro Credit Billing Determinants x the appropriate Supplier Rates
4. Projected Hydro Energy Credit Cost = Hydro Energy Credit Billing Determinants x the appropriate Supplier Rates
5. Projected Hydro Debit Cost = Hydro Energy Debit Billing Determinants x the appropriate Supplier Rates

(k) Purchased Power Costs – the total cost paid or to be paid to Supplier in connection with the purchase of electricity for the Division. Purchased Power Costs are segregated into categories as follows:

1. Purchased Power Demand Costs – all Purchased Power Costs related to and varying with power demanded (i.e. kW)
2. Purchased Power Energy Costs – Purchased Power Costs, including both fuel and non-fuel components of electricity, and excluding calculation of Hydro Energy Debits and Hydro Energy Credits, related to and varying with energy consumption (i.e. kWh)
3. Purchased Power Residential Customer Hydro Credit Costs – all Purchased Power costs calculated as a credit based on number of eligible residential accounts billed
4. Purchased Power Hydro Energy Credit Costs – all Standard Service Purchased Power costs calculated as a credit based on eligible Hydro Energy Credit volumes (i.e. kWh)
5. Purchased Power Hydro Energy Debit Costs – all Standard Service Purchased Power costs calculated as a debit based on eligible Hydro Energy Debit volumes (i.e. kWh)

All other costs not directly attributable to one of the categories described above shall default to Purchased Power Energy Costs.

All costs not attributable to Manufacturing and General Power Service shall default to Standard Service.

(l) Standard Service – power and energy taken by KUB from Supplier for resale to customers and billed to KUB by Supplier at Standard Service wholesale rates

(m) Supplier – any entity that sells electricity to the Division

(n) Supplier Rates – the Supplier's rates which are known or if not known which are reasonably anticipated to be in effect on the first day of the Adjustment Period

IV. Seasonal periods shall be determined as defined in the retail rate schedules of KUB's Electric Division.

V. Computation of the Purchased Power Adjustment Components

All change in costs which can be directly attributed to specific customer classes shall be recovered from those customer classes; where change in costs cannot be directly attributed to specific customer classes those costs shall be divided over all Standard Service demand or energy sales as applicable.

Where change in costs cannot otherwise be directly attributed, the change in costs shall be divided over applicable Energy kWh Sales.

The components of the Purchased Power Adjustment shall be computed and rounded to the nearest hundredth of a cent per kWh, with five thousandths of a cent to be increased to the next higher hundredth of a cent, for adjustments affecting kWh; and computed and rounded to the nearest cent per kW, with five tenths of a cent to be increased to the next higher cent, for adjustments affecting kW, as follows:

(a) Demand kW Component = $\frac{\text{Change in Demand Cost kW}}{\text{Demand kW Sales}}$

(b) Demand kWh Component = $\frac{\text{Change in Demand Cost kWh}}{\text{Demand kWh Sales}}$

(c) Energy Component = $\frac{\text{Change in Energy Cost}}{\text{Energy kWh Sales}}$

(d) Residential Customer Hydro Credit Component = $\frac{\text{Change in Residential Customer Hydro Credit Cost}}{\text{Hydro Energy Credit Sales}}$

- (e) Hydro Energy Credit Component = Change in Hydro Energy Credit Cost/Hydro Energy Credit Sales
- (f) Hydro Energy Debit Component = Change in Hydro Energy Debit Cost/Hydro Energy Debit Sales
- (g) Manufacturing and General Power Service Energy Component - Any energy rate per kilowatt hour (kWh) set forth in the current wholesale rate schedules for any rate schedule of the Electric Division duly adopted by the Board for Manufacturing and General Power Service subsequent to this resolution shall be increased or decreased, as applicable, by an amount equivalent to the increase or decrease for the wholesale energy rate for each respective rate schedule, plus an amount to provide for any change in distribution loss charges due to an increase or decrease in the respective wholesale energy rate
- (h) Manufacturing and General Power Service Demand Component - Any demand rate per kilowatt (kW) set forth in the current wholesale rate schedules for any rate schedule of the Electric Division duly adopted by the Board for Manufacturing and General Power Service subsequent to this resolution shall be increased or decreased, as applicable, by an amount equivalent to the increase or decrease in the wholesale demand rate for each respective rate schedule, plus an amount to provide for any change in distribution loss charges due to an increase or decrease in the respective demand rate

VI. Application and Effective Date of the Purchased Power Adjustment

(a) The Purchased Power Adjustment shall consist of the following:

1. Standard Service Demand kW Purchased Power Adjustment – the Demand kW Component
2. Standard Service Demand kWh Purchased Power Adjustment – the Demand kWh Component
3. Standard Service Energy Purchased Power Adjustment – the Energy Component
4. Residential Hydro Credit Purchased Power Adjustment – the Residential Customer Hydro Credit Component and the Hydro Energy Credit Component
5. Hydro Energy Debit Purchased Power Adjustment – the Hydro Energy Debit Component

6. Manufacturing and General Power Service Purchased Power Adjustment – the sum of the Manufacturing and General Power Service Demand Component and the Manufacturing and General Power Service Energy Component

(b) Each Purchased Power Adjustment shall apply to billing periods beginning on or after the Effective Date of such adjustment.

1. The Standard Service Demand kW Purchased Power Adjustment shall be added to or deducted from, as appropriate, the Base Retail Electric Rates for Rate Schedule GSA, and for any other rate schedule designated for Standard Service of the Electric Division, duly adopted by the Board subsequent to this resolution.
2. The Standard Service Demand kWh Purchased Power Adjustment shall be added to or deducted from, as appropriate, the Base Retail Electric Rates for Rate Schedules RS, GSA, LS, and for any other rate schedule designated for Standard Service of the Electric Division, duly adopted by the Board subsequent to this resolution.
3. The Standard Service Energy Purchased Power Adjustment shall be added to or deducted from, as appropriate, the Base Retail Electric Rates for Rate Schedules RS, GSA, LS, and for any other rate schedule designated for Standard Service of the Electric Division, duly adopted by the Board subsequent to this resolution.
4. The Residential Hydro Credit Purchased Power Adjustment shall be added to or deducted from, as appropriate, the Base Retail Electric Rates for Rate Schedule RS.
5. The Hydro Energy Debit Purchased Power Adjustment shall be added to or deducted from, as appropriate, the Base Retail Electric Rates for any rate schedule, other than Rate Schedule RS, designated for Standard Service of the Electric Division.
6. The Manufacturing and General Power Service Purchased Power Adjustment shall be added to or deducted from, as appropriate, the Base Retail Electric Rates for rate schedules other than those designated for power and energy sold under Standard Service.

(c) The Purchased Power Adjustment shall be computed as of and shall take effect on the first day of each calendar month (the “Effective Date”).

(d) Each computation of the Purchased Power Adjustment shall be promptly filed with the Chief Financial Officer and shall be accompanied with appropriate

documentation supporting the calculation of the Purchased Power Adjustment.

VII. Purchased Power Accounting

- (a) To appropriately match revenues with the cost of purchased power as contemplated under this PPA, KUB shall originally record Purchased Power Costs as debit entries in the "Unrecovered Purchased Power" account. Monthly KUB shall debit the appropriate subaccount(s) of "Other Power Supply Expenses" with an amount equal to the product obtained by multiplying the appropriate power cost components (the sum of the Base Rates of Purchased Power and the current applicable Purchased Power Adjustment) by the appropriate sales billed to customers. The corresponding monthly credit entry shall be made to the "Unrecovered Purchased Power Cost" account.
- (b) The "Unrecovered Purchased Power Cost" account shall be subclassified into appropriate subaccounts, but at a minimum separate subaccounts shall be maintained for demand, energy, residential customer hydro credit, hydro energy credit, and hydro energy debit categories of the Purchased Power Costs.
- (c) If it cannot be determined which subaccount should be debited, the energy subaccount will be debited.

VIII. Adjustment for Over or Under Recovery of Standard Service Purchased Power Cost

- (a) To permit amortization of the accumulated balance in the "Unrecovered Purchased Power Cost" account, KUB shall include on August 1 of each year the June 30 balance of the "Unrecovered Purchased Power Cost" account for such year in the calculation of the Standard Service Purchased Power Adjustment. This balance shall be included in each monthly calculation of the Standard Service Purchased Power Adjustment commencing on August 1 and thereafter until the following August 1 at which time it shall be superseded by the then current June 30 balance.
- (b) The "Unrecovered Purchased Power Cost" balance shall be segregated into demand, energy, hydro energy credit, and hydro energy debit categories, and shall be added to or deducted from, as appropriate, the applicable Demand Costs, Energy Costs, Hydro Energy Credits, and Hydro Energy Debits included in the Standard Service Purchased Power Adjustment.

IX. Annual Reporting

Annually KUB shall retain an independent consultant to audit the transactions in the "Unrecovered Purchased Power Cost" account and the related Standard Service Purchased Power Adjustment calculations to verify that the procedures and intent of this Standard Service Purchased Power Adjustment are being followed. The independent consultant shall report his or her findings to The Board's Audit and Finance Committee.

Section 3.

REPLACEMENT OF CONFLICTING RESOLUTIONS

That the provisions of this Resolution shall supersede and replace any provisions of Resolution No. 1065, as amended, which are in conflict herewith; provided, however, such replacement shall not affect any right accrued or service rendered prior to the effective date of this Resolution.

Section 4.

EFFECTIVE DATE

That this Resolution shall take effect October 1, 2018.

Celeste Herbert, Board Chair

J. William Coley, Board Secretary

APPROVED ON 1st
READING: _____
APPROVED ON 2nd
READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK ___ PAGE _____

**RESOLUTION 1383
APPENDIX A**

**BASE RATES OF PURCHASED POWER
STANDARD SERVICE**

	Summer	Winter	Transition
Residential Credit Eligible kWh			
demand kWh base	0.01975	0.01935	0.01935
energy kWh base	0.05462	0.05462	0.05462
hydro energy credit	-0.00297	-0.00297	-0.00297
Residential Customer Hydro Credit	As Stated in Current Effective Wholesale Contract		
Residential Debit Eligible kWh			
demand kWh base	0.01975	0.01935	0.01935
energy kWh base	0.04886	0.04886	0.04886
hydro energy debit	0.00279	0.00279	0.00279
GSA1 kWh			
demand kWh base	0.02383	0.02342	0.02342
energy kWh base	0.05533	0.05533	0.05533
hydro energy debit	0.00279	0.00279	0.00279
GSA2			
1st 15,000 kWh			
demand kWh base	0.01990	0.01949	0.01949
energy kWh base	0.05926	0.05926	0.05926
hydro energy debit	0.00279	0.00279	0.00279
additional kWh			
demand kWh base	0	0	0
energy kWh base	0.05033	0.05033	0.05033
hydro energy debit	0.00279	0.00279	0.00279
>50kW			
demand kW base	9.04	8.25	8.25
energy kWh base	0	0	0
GSA3			
kWh			
demand kWh base	0	0	0
energy kWh base	0.05033	0.05033	0.05033
hydro energy debit	0.00279	0.00279	0.00279
0-1000 kW			
demand kW base	9.41	8.65	8.65
energy kWh base	0	0	0
>1000 kW			
demand kW base	11.57	10.81	10.81
energy kWh base	0	0	0
LS kWh			
demand kWh base	0.00375	0.00375	0.00375
energy kWh base	0.04013	0.04013	0.04013
hydro energy debit	0.00279	0.00279	0.00279



Knoxville Utilities Board

August 10, 2018

Knoxville Utilities Board
445 S. Gay Street
Knoxville, Tennessee 37902-1109

Commissioners:

Resolution 1384 requests condemnation authority for two parcels with a single property owner near Third Creek Road. The authority is needed to access existing wastewater lines for maintenance and rehabilitation.

KUB's Consent Decree established that the wastewater system be inspected on a 12-year cycle. Inspection of this particular line has been hindered by the lack of sufficient easements to provide equipment access to these two undeveloped properties. Discussion with the property owner of the two properties has been ongoing since late 2017 with the property owner to purchase the necessary easements. However, to avoid further delays in meeting regulatory requirements, KUB must move forward with condemnation. Further information about the parcels is included for your review.

I recommend adoption of Resolution 1384.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Mintha E. Roach'.

Mintha E. Roach
President and CEO

RESOLUTION NO. 1384

A Resolution Authorizing the Condemnation and the Taking of Permanent Utility Easements and Temporary Construction Easements on two Certain Properties located near Third Creek Road, Knoxville, Knox County, Tennessee

Whereas, supplying the public need and demand for wastewater service makes it necessary and desirable for KUB to improve the wastewater system and all related equipment (the “Facilities”) on a portion of two certain properties located in the Third Creek Road area of Knoxville, Knox County, Tennessee, and being more particularly described on Knox County Tax Maps; CLT Map 093 G B Parcel 4 and 093 G B Parcel 8; and

Whereas, KUB is making improvements to the Facilities in the Third Creek Road area to serve the needs of the community; and

Whereas, permanent utility easements and temporary construction easements across the aforesaid properties must be obtained for the construction and location of the Facilities; and

Whereas, in the opinion of this Board, the easements for the properties described in this Resolution best meet the needs and requirements of the public for the location of the Facilities; and

Whereas, time is of the essence in constructing the Facilities and it is advantageous for KUB officials to be authorized to condemn and acquire the necessary easements in the event that they cannot be acquired by negotiations at prices that KUB considers reasonably representative of the value of such property interests.

Now, Therefore, Be it Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:

Section 1. That this Board finds and declares:

- (a) That public convenience and necessity require the installation of the Facilities in the Easements for the property described herein, so as to provide adequate utility service to the public, including the present and prospective customers of KUB’s wastewater system.
- (b) That the cost of the Easements, as mentioned in the preceding paragraph, be and the same shall be paid from appropriations heretofore made by this Board for the operation and construction program of the Wastewater Division.

- (c) That for the purpose of placing, constructing, repairing, maintaining, rehabilitating, improving and replacing the Facilities on the property described herein, there shall be condemned such permanent utility, temporary construction and access easements across the aforementioned properties, as may be determined to be necessary by the President and CEO or her designee.

Section 2. That the President and Chief Executive Officer and the General Counsel for KUB, are hereby authorized and directed to take all action and do all things necessary or desirable for the acquisition of said properties described in Section 1 of this Resolution, by condemnation or otherwise, including, without limitation, the institution of a suit in the name of KUB against any and all persons having any interest in the affected property, for the condemnation thereof, and the determination of the amount of any deposit to be made in connection with any such suit.

Section 3. That this Resolution shall take effect upon its passage.

Celeste Herbert, Chair

J. William Coley, Board Secretary

APPROVED ON 1st
& FINAL READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK _____ PAGE _____

RESOLUTION 1385

A Resolution Appointing XXXX as President and Chief Executive Officer of Knoxville Utilities Board

Whereas, the upcoming retirement of Mintha E. Roach, President and Chief Executive Officer of Knoxville Utilities Board (KUB) requires that the Board of Commissioners of KUB (Board) fulfill its obligations to appoint a President of the KUB System pursuant to the requirements of the Knoxville City Charter, Article XI, Section 1110; and

Whereas, XXXX has the executive ability and experience sufficient to perform the duties and responsibilities of President and Chief Executive Officer; and

Whereas, it is in the best interest of KUB and its ratepayers and therefore the desire of the Board that XXXX be appointed President and Chief Executive Officer of KUB.

Now, Therefore, Be It Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:

Section 1. XXXX is hereby appointed President and Chief Executive Officer of the Knoxville Utilities Board and is authorized to perform the duties and responsibilities of President and Chief Executive Officer as provided in the Knoxville City Charter and KUB By-Laws.

Section 2. That the authority granted pursuant to this Resolution shall take effect immediately upon its passage.

Celeste Herbert, Chair

J. William Coley, Board Secretary

APPROVED ON 1st
& FINAL READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK ___ PAGE _____

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, June 21, 2018, Noon**

Call to Order

The Knoxville Utilities Board met in regular session in the Larry A. Fleming Board Room at 445 S. Gay Street, on Thursday, June 21, 2018, pursuant to the public notice published in the January 6, 2018, edition of the *News Sentinel*. Chair Herbert called the meeting to order at 12:00 p.m.

Roll Call

Commissioners Present: Jerry Askew, Kathy Hamilton, Celeste Herbert, Sara Pinnell, Adrienne Simpson-Brown, Tyvi Small, and John Worden

Commissioners Absent: None

Approval of Minutes

The Minutes of the May 17, 2018, Board Meeting were approved as distributed upon a motion by Commissioner Small and seconded by Commissioner Pinnell.

The Minutes of the June 20, 2018, Board Meeting were approved as distributed upon a motion by Commissioner Hamilton and seconded by Commissioner Simpson-Brown.

Old Business

None

New Business

Resolution 1381, A Resolution Replacing the Existing Knoxville Utilities Board (“KUB”) Investment Policy and Authorizing the Implementation of the New Policy by the Chief Financial Officer of KUB

June 21, 2018

President Roach advised the Board that staff had identified housekeeping changes to be made to KUB's Cash Investment Policy. The resolution is a recommendation from the Audit and Finance Committee. She recognized Mark Walker, Chief Financial Officer and Senior Vice President to review the details of the proposed resolution.

President Roach recommended adoption of Resolution 1381 on first and final reading. Her written recommendation is included in Attachment 1.

Upon a motion by Commissioner Askew and a second by Commissioner Small, Resolution 1381 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Askew, Hamilton, Herbert, Pinnell, Simpson-Brown, Small, and Worden. No Commissioner voted "nay".

Resolution 1382, A Resolution Authorizing and Approving the Sale of Certain Surplus Real Property of the Electric Division of the Knoxville Utilities Board ("KUB") Located Adjacent to KUB's Electric Substation on Thorngrove Pike in Knoxville, Tennessee

President Roach recognized Michelle Wilson, Manager of Procurement, to provide details of the proposed resolution requesting the Board declare a vacant tract owned by KUB's electric division as surplus real property. The property is 6.72 acres of land adjacent to KUB's East Knox substation on Thorngrove Pike.

President Roach recommended adoption of Resolution 1382 on first and final reading. Her written recommendation is included in Attachment 2.

Upon a motion by Commissioner Small and a second by Commissioner Pinnell, Resolution 1382 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Askew, Hamilton, Herbert, Pinnell, Simpson-Brown, Small, and Worden. No Commissioner voted "nay".

President's Report

Organizational Risk Assessment

President Roach advised Commissioners that there are inherent risks involved in the daily operation of KUB's four utility systems. She recognized Eddie Black, Senior Vice President, to provide an update on how KUB identifies and manages these risks.

TeenWork Class of 2018

President Roach recognized Leslye Hartsell, Director of External Relations, to provide an update on KUB's TeenWork program. Ms. Hartsell also recognized the TeenWork students and their mentors in attendance at today's meeting.

June 21, 2018

KUB's State Certified Laboratory

President Roach advised Commissioners that KUB operates a state certified laboratory to support and ensure the quality of KUB's water and wastewater operations. She recognized Debbie Ailey, Manager of Regulatory Compliance, to provide a presentation on the role of the KUB laboratory and the requirements for state certification.

Century II at Work: UT Medical Center Electrical Upgrades

President Roach recognized Gabriel Bolas, Senior Vice President and Chief Engineer, to provide an update on a current Century II project involving over a year of planning and collaboration with UT Medical Center. Mr. Bolas stated electrical crews were working around the clock replacing 15,000 feet of underground electrical cable while ensuring uninterrupted service.

Other Business

None

Public Comment

None

Adjournment

There being nothing further to come before the Board, Chair Herbert declared the meeting adjourned at 1:10 p.m.

Celeste Herbert, Chair

Bill Coley, Board Secretary

Attachments

Attachment 1	Recommendation Letter and Resolution 1381, A Resolution Replacing the Existing Knoxville Utilities Board ("KUB") Investment Policy and Authorizing the Implementation of the New Policy by the Chief Financial Officer of KUB	<u>Page(s)</u> 9211 - 9223
Attachment 2	Recommendation Letter and Resolution 1382, A Resolution Authorizing and Approving the Sale of Certain Surplus Real Property of the Electric Division of the Knoxville Utilities Board ("KUB") Located Adjacent to KUB's Electric Substation on Thorngrove Pike in Knoxville, Tennessee	9224-9226



Knoxville Utilities Board

June 15, 2018

Knoxville Utilities Board
445 S. Gay Street
Knoxville, Tennessee 37902-1109

Commissioners:

The Board has previously adopted a cash investment policy for the management and investment of public funds by KUB, incorporating the limitations and requirements of state law governing the investment of public funds. The policy also established an Investment Advisory Committee, including the Chief Financial Officer and Manager of Accounting, to provide oversight of KUB's cash investment activities. The policy does not cover retirement system investments, as those are governed by separate investment policies approved by the Board.

The policy provides for the Investment Advisory Committee to review the policy annually and recommend any needed changes to the President and CEO and the Board's Audit and Finance Committee. The review for 2018 has been completed and several housekeeping changes were identified. The proposed changes were discussed with the Board's Audit and Finance Committee at its meeting on March 20. The Committee concurred with the proposed changes and adopted a resolution recommending the Board approve a revised policy reflecting the modifications.

A summary of the proposed changes to the policy and a red-lined version of the existing investment policy highlighting the specific changes are attached for your information.

Resolution 1381 adopts a revised cash investment policy, and I recommend its approval on first and final reading.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Mintha E. Roach'.

Mintha E. Roach
President and CEO

RESOLUTION NO. 1381

A Resolution Replacing the Existing Knoxville Utilities Board (“KUB”) Investment Policy

Whereas, as part of its ongoing operations and responsibilities, KUB is charged with the management and investment of public funds; and

Whereas, the KUB Board of Commissioners (“Board”) previously adopted Resolution 1299, providing a comprehensive KUB Investment Policy (“Policy”) for the management and investment of such funds; and

Whereas, the Policy established an Investment Advisory Committee for providing general oversight of the investment activities of KUB; and

Whereas, the Policy requires the Investment Advisory Committee review the Policy on an annual basis; and

Whereas, as a result of the recently completed review, the Investment Advisory Committee has proposed several modifications to the Policy that are housekeeping in nature; and

Whereas, the proposed modifications were provided to the Board’s Audit and Finance Committee (“Committee”) and discussed with the Committee at its meeting on March 20, 2018; and

Whereas, the Committee, at its March 20, 2018 meeting, unanimously adopted Resolution AF-70, recommending the Board adopt a revised Policy reflecting the proposed modifications; and

Whereas, the Board finds it to be in the best interest of KUB and its customers to effectuate these modifications by adopting a revised Policy.

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE KNOXVILLE UTILITIES BOARD:

Section 1. That the KUB Investment Policy attached hereto as Exhibit A is hereby adopted and replaces the existing KUB Investment Policy previously adopted by the Board through Resolution 1299.

Section 2. That the President and Chief Executive Officer is hereby authorized to implement and maintain the Investment Policy in accordance with its terms and under the laws of the state of Tennessee, and to execute all agreements that may be required or necessary to effectuate the intent of said Investment Policy.

Section 3. That the Investment Policy shall at all times be subject to Tennessee state law provisions governing the deposits and investments of public funds and to the extent any such laws conflict or impose stricter standards than those required under the Investment Policy, the provisions of the Investment Policy shall be conformed and construed to comply with the requirements of state law.

Section 4. Effective Date: That this resolution shall take effect immediately upon its passage.

Celeste Herbert/s
Celeste Herbert, Chair

Bill Coley/s
Bill Coley, Board Secretary

APPROVED ON 1st
& FINAL READING: 6-21-18
EFFECTIVE DATE: 6-21-18
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Exhibit A

Knoxville Utilities Board Investment Policy

July 2018

I. Scope.

This Investment Policy ("Policy") of the Knoxville Utilities Board ("KUB") governs the investment of all non-pension funds of KUB, whether invested directly by KUB, or on behalf of KUB by a third-party (portfolio manager). These funds include the following:

- General Fund
- Operating Contingency Reserve Fund
- Bond Sinking Fund
- Bond Proceeds Fund
- Economic Development Fund
- Other Funds approved by the KUB Board of Commissioners

II. Objectives.

The primary objectives of KUB's investment activities in descending order of priority are as follows:

1. Safety. Safety of principal is the most important objective of KUB's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the total investment portfolio.
2. Liquidity. KUB's investment portfolio should remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
3. Yield. KUB's investment portfolio shall be designed with the objective of attaining an approximate market rate of return throughout economic cycles, taking into account the safety of principal and liquidity needs. KUB will establish a benchmark target(s) for measuring performance results as applicable, with said benchmark(s) to be determined by the Investment Advisory Committee, as provided for in Section IV below, and approved by the KUB Board of Commissioners' Audit and Finance Committee.

III. Investment Parameters.

1. Diversification. KUB will, to the extent possible, reasonably diversify its investments by type of investment and institution.
2. Maturities. KUB will limit its investments to securities having the maximum stated maturity provided for under state law, unless specific approval is received from the Comptroller of the Treasury or the Comptroller's designee for a longer maturity than the maximum allowed. As of July 1, 2004, the maximum is four (4) years from the date of investment (T.C.A 6-56-106).
3. Placement. If all higher investment objectives as set forth in Section II of this Policy are satisfied, investments will generally be placed with the institution whose percentage yield produces the greatest interest income to KUB.

Excluding any investments made on behalf of KUB by a third-party investment manager, investments will, to the extent possible, be placed through a formal and competitive process requiring the solicitation and evaluation of at least three (3) bids. In this case, the offer that provides the highest rate of return while meeting KUB's overall investment objectives will be accepted. In the event a security must be sold, the bid which generates the highest net sales price will be accepted. Investments may be moved from one institution to another when the rate of return (net of any transaction fees) can be improved, provided that safety and liquidity requirements are not diminished.

IV. Standard of Care and Oversight.

1. Prudence. The standard of care by which investment decisions shall be judged shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio.

A "prudent person" standard of care is generally defined as requiring investments to be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital. (See T.C.A. 35-14-112).

2. Ethics and Conflicts of Interest. KUB employees involved in the investment process shall not be directly interested in either a financial institution in which KUB funds are deposited, or in the business of a third-party with which KUB contracts for investment services. "Directly interested" means any contract with the KUB employee personally or with a business in which the KUB employee is a sole proprietor or a partner or in which the KUB employee owns or controls more stock than any other individual (T.C.A. 12-4-101 and 6-54-107). If any KUB officer or employee involved in the investment process has any direct interest or material indirect interest in either a financial institution in which KUB funds are deposited or in the business of a third-party with which KUB contracts for investment services, such interest shall be reported in writing to the Chair of the Investment Advisory Committee. KUB officers and employees involved in the investment process shall refrain from undertaking personal investment transactions with the same employee or officer of a financial institution or a broker or dealer with whom business is conducted on behalf of KUB. A representative of the Investment Advisory Committee shall perform a periodic survey of KUB officers and employees involved in the investment process to help ensure that no such conflicts exist.
3. Investment Advisory Committee. KUB shall establish an Investment Advisory Committee, whose members shall be appointed by the President and CEO. The Investment Advisory Committee will be chaired by the Chief Financial Officer ("CFO") and consist of a minimum of three members, including the Vice-President of Finance and the Manager of Accounting. The Investment Advisory Committee will be responsible for general oversight of KUB's investment activities and for establishing any written procedures and/or internal controls (not provided for in this Policy) for the operation of the investment program. The Investment Advisory Committee shall meet on an as needed basis; however, this should not be less than once each fiscal year. A representative of the Committee will take minutes for each meeting and keep them on record.
4. Management Authority. The CFO shall be responsible for all transactions undertaken under this Policy. The CFO shall designate those KUB employees authorized to execute investment transactions on behalf of KUB. The Manager of Accounting (or such other individuals designated by the CFO) shall be responsible for the daily operation of KUB's investment program, and shall carry out any established written procedures and/or internal controls for the operation of the investment program.

5. Third-Party Portfolio Management. KUB may utilize the services of a third-party investment firm to invest a portion of or all of KUB investment funds on behalf of KUB. The selection of any such third-party portfolio manager shall be conducted through a Request for Proposal (RFP) process. The selection of any such portfolio manager must receive the approval of the KUB Board of Commissioners' Audit and Finance Committee. The portfolio manager shall be required to abide by all applicable requirements for investing KUB funds as provided for under Tennessee state law and this Policy. A representative of the portfolio manager shall be required to report investment results to at least one representative of the Investment Advisory Committee on no less than a quarterly basis.

V. Safekeeping and Custody.

1. Deposit of Funds. All funds received by KUB shall be deposited immediately into an appropriate KUB account in a financial institution designated as a public depository in accordance with requirements of Tennessee state law and KUB Resolution 899. (T.C.A. 6-56-111). When collateralization is required for such deposits, the financial institution shall be required to enter into an agreement to properly collateralize KUB deposits in accordance with Resolution 899 and Tennessee state law (T.C.A. 9-4-504).
2. Internal Controls. The following internal controls will guide the operation of the investment program. The Investment Advisory Committee is authorized to establish any additional controls as deemed necessary.
 - A. Separation of transaction authority from account and record-keeping. The employee who authorizes or performs the transaction shall be separate from the person who records or otherwise accounts for the transaction.
 - B. Custodial safekeeping. Securities purchased from any bank or dealer including eligible collateral (T.C.A. 9-4-103) shall be placed with an independent third-party for custodial safekeeping. A custodial trust agreement shall be executed with all financial institutions designated as custodians.
 - C. Book entry for securities. The buying and selling of securities (including for purposes of collateralization) should be done on a book-entry basis if at all possible. Any securities that must be physically delivered to KUB

should be properly safeguarded against loss or destruction. The Manager of Accounting shall be responsible for ensuring the safekeeping of any physical securities.

- D. Clear delegation of authority. The Manager of Accounting (or such other individual designated by the CFO) shall provide for the clear delegation of authority to subordinate staff members responsible for executing investment transactions and accounting for investment transactions. Those individuals responsible for executing investment transactions shall be designated to do so in writing by the CFO.
 - E. Written confirmation of telephone transactions and wire transfers. All investment transactions executed via telephone shall be supported by appropriate written documentation. Written communication may be via electronic media or fax if provided on letterhead and the safekeeping institution maintains a list of authorized signatures.
 - F. Wire transfer agreements. KUB shall execute wire transfer agreements with applicable financial institutions and third-party custodians. These agreements should outline the various controls and security provisions and delineate responsibilities of each party making and receiving wire transfers.
3. Delivery vs. Payment. All investment transactions where applicable will be executed by delivery versus payment. Securities will be held by third-party custodians as evidenced by safekeeping receipts.

VI. Investment Services.

- 1. Any financial institution and broker/dealer who desires to provide investment services to KUB must supply the following information as appropriate:
 - A. Required Federal or State Report with current registrations and current filings.
 - B. Current audited financial statements for parent financial institution.
 - C. Acknowledgement of having received a copy of this Policy.
 - D. Current statement on Collateralization Policy.

VII. Authorized Investments.

1. Investment Types. KUB is limited to investments authorized by Tennessee state law (T.C.A. 6-56-106). This includes investments made directly by KUB personnel or by an investment manager on behalf of KUB. These investments shall have a maturity of not greater than four years from the date of investment unless a longer maturity is approved by the Comptroller of the Treasury or the Comptroller's designee. These investments are as follows:
 - A. Bonds, Notes or Treasury Bills of the United States.
 - B. Nonconvertible debt securities of the following federal government sponsored enterprises that are chartered by the United States congress; provided, that such securities are rated in the highest category by at least two (2) nationally recognized rating services: the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, or other securities that are authorized by Tennessee state law.
 - C. Any other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies.
 - D. Certificates of Deposit and other evidences of deposit at state and federally chartered banks, and savings and loan associations. All such deposits shall be collateralized by securities described in T.C.A. 9-4-103 unless (1) the aggregate balance of KUB's deposits then in such a depository does not exceed the amount for which full security is provided for such deposits by the FDIC, or (2) the depository participates in the State Collateral Pool under T.C.A. 9-4-501 et. seq.
 - E. Repurchased Agreements collateralized by obligations of the United States or its agencies, if purchased in accordance with the procedures established by the state funding board, this Investment Policy, and pursuant to the Master Repurchase Agreement adopted in Resolution 723 (See also Section VII(4) below).
 - F. The local government investment pool (LGIP).
 - G. Bonds or notes of KUB or the City of Knoxville.
 - H. Bonds and notes of local governments of the State of Tennessee.
 - I. Prime banker' acceptances, which are eligible for purchase by the Federal Reserve System.

- J. Prime commercial paper which is rated at least A1 or equivalent by at least two nationally recognized rating services.
2. Proceeds of bonds, notes, and other obligations and reserves. These funds may be invested in obligations, which are rated in either of the two highest rated categories by a nationally recognized rating agency of such obligations. The investment must also be a direct general obligation of a state of the United States, a political subdivision or instrumentality thereof, having general taxing powers, and have a final maturity on the date of investment of not to exceed forty-eight months or that may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than forty-eight month intervals (T.C.A. 6-56-106).
 3. Collateralization. In accordance with T.C.A. 9-4-105 and 9-4-111, with the exception of the amount of funds protected by the FDIC, collateralization at 105 percent (valued at market) will be required on all investments. A custodial trust agreement with a Federal Reserve member bank to provide for the custody of the purchased securities is required prior to any transaction (T.C.A. 9-4-107). A security agreement (in the form provided by KUB) with the institution providing the investment is also required prior to any transaction. The security agreement must be in writing and executed by the depository institution contemporaneously with the acquisition of the asset. In lieu of the foregoing, collateralization may be provided by the financial institution through the state of Tennessee collateral pool.

Collateral which is authorized for use is limited by T.C.A. 9-4-103 and this Investment Policy to the following:

- A. Bonds of the United States or any of its agencies.
- B. Obligations guaranteed by the United States or any of its agencies, the payments of which are fully guaranteed both as to principal and interest by the United States.
- C. Bonds of the state of Tennessee, including any revenue bonds issued by any agency of the state specifically including institutions under the control of the state board of regents, the board of trustee of the University of Tennessee and bonds issued in the name of the state school board authority.
- D. Bonds of any utility district, county or Municipal Corporation of the state of Tennessee.
- E. Bonds that are rated "A" or higher by any nationally recognized rating service and which are issued under the

provisions of T.C.A. title 7, chapters 37 (Industrial Building Revenue Bond Act), 53 (industrial development corporations); or T.C.A. title 48, chapter 101, part 3 (health, educational and housing facilities corporations).

4. Repurchase Agreements. Repurchase agreements are the sale by a bank or dealer of a government security with the simultaneous agreement to repurchase the security on a later date. Resolution 723 provides for KUB to utilize repurchase agreements provided they are used in accordance with state law requirements and procedures established by the Comptroller of the Treasury or the Comptroller's designee. These procedures provide that:
- A. Up to 100 percent of KUB's funds may be invested in repurchase agreements.
 - B. A master repurchase agreement (in the form provided by KUB) applicable to all sales and repurchase transactions between KUB and seller must be executed.
 - C. A custodial agreement (in the form provided by KUB) with a member bank of the Federal Reserve must be executed prior to any transactions.
 - D. A seller under a repurchase agreement shall not also be the custodian.
 - E. Reverse repurchase agreements are prohibited.
 - F. For each repurchase transaction, the market value of the collateral shall be at least 102 percent of the purchase price of the securities, including interest accrued at the time of purchase.
 - G. Eligible securities shall be obligations of the United States or its agencies. The maturity date of the securities shall exceed the term of the repurchase agreement and the market value of the securities must be more than the amount of funds invested.
 - H. The term of any repurchase agreement may not exceed 90 days.
 - I. All purchased securities shall be delivered simultaneously against payment to the custodian in an account established solely for the safekeeping of KUB.
 - J. Unless specifically agreed to by both KUB and the seller, neither party shall have the right to substitute securities for those securities purchased on the date of purchase. Any securities so substituted must be of equal value or greater market value than the securities substituted.
 - K. Any transactions effected under individual repurchase agreements shall be confirmed in writing by the seller to both KUB and the custodian.

- L. KUB shall require the custodian to provide, after any daily activity, a written statement of all account transactions.
- M. KUB shall maintain all applicable records pertaining to individual repurchase agreements pursuant to Tennessee state law (T.C.A. 10-7-404).

VIII. Reporting Requirements.

1. Methods. The following reporting requirements shall be applicable for KUB's investment program:
 - A. A daily report of all KUB investment activities, including investments managed directly by KUB and/or a third-party portfolio manager on behalf of KUB, shall be prepared by KUB personnel responsible for such activities. This report shall be provided to the Manager of Accounting.
 - B. A monthly report listing all investments held by KUB shall be prepared and submitted to the CFO by the Manager of Accounting. This report shall also be submitted to each member of the Investment Advisory Committee. This monthly report will include investments by division.
 - C. Applicable KUB investments shall be reported monthly on a marked to market basis. The marked to market value of the investment shall be reported on KUB's financial statements accordingly. Values used to reflect the market value of these investments shall be obtained from a reputable and independent source.
 - D. In the event KUB uses a third-party portfolio manager to invest funds on the behalf of KUB, the portfolio manager shall prepare a written report each quarter detailing all investment activity for the period including a discussion on performance in relation to any benchmarks. This report shall be provided to the Chief Financial Officer and each member of the Investment Advisory Committee.
 - E. The Chief Financial Officer and/or the Vice President of Finance shall provide a periodic investment review to the Board's Audit and Finance Committee, the frequency of which shall be determined by the Audit and Finance Committee; however, such review shall occur no less than annually. This review shall include a detailed overview of overall investment performance for the previous year including a comparison against any applicable benchmarks. This review shall also address the impact of investment performance on KUB's overall financial performance for the year, including a discussion of any

significant gains or losses from the selling/liquidation of investments prior to maturity.

2. Performance Standards. The investment portfolio shall be managed in accordance with the parameters specified in this Investment Policy. Investment performance should be compared to appropriate benchmarks on a regular basis.
3. Separate Accounts. KUB shall keep separate books and accounts for the investments of each respective division. Funds of the separate divisions may be combined or pooled when invested to earn a higher interest rate. The distribution of interest income from pooled investments shall be allocated to individual divisions proportionally, based on each division's contribution at the time of investment.
4. Review and Revision of Investment Policy. The Investment Advisory Committee will annually review this Investment Policy and recommend any necessary revisions to the President and CEO and the Board's Audit and Finance Committee. Any changes to this Investment Policy must be approved by the KUB Board of Commissioners.



Knoxville Utilities Board

June 15, 2018

Knoxville Utilities Board
445 S. Gay Street
Knoxville, Tennessee 37902-1109

Commissioners:

Staff has identified a 6.725-acre tract of land owned by the Electric Division of KUB to be authorized for sale.

The property is located immediately adjacent to KUB's East Knox Substation and the Midway Business Park on Thorngrove Pike and is not needed for the continued operation of the electric system and is not needed by any other KUB system. In accordance with KUB's Procurement Procedures, as adopted by the Board, I have determined the property is surplus.

Pursuant to the City Charter, state law and the Procurement Procedures, upon authorization of the Board, the President and CEO may sell the property in a manner that is in the best interest of KUB and the Electric Division.

Resolution 1382 authorizes and approves the sale of the 6.725-acre site on Thorngrove Pike. A map and legal description of the property are enclosed for your information. I recommend the approval of Resolution 1382 on first and final reading.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Mintha Roach'.

Mintha E. Roach
President and CEO

RESOLUTION NO. 1382

A Resolution Authorizing and Approving the Sale of Certain Surplus Real Property of the Electric Division of the Knoxville Utilities Board (“KUB”) Located Adjacent to KUB’s Electric Substation on Thorngrove Pike in Knoxville, Tennessee

Whereas, the Electric Division of KUB holds title to certain real estate, located adjacent to KUB’s electric substation on Thorngrove Pike in Knoxville, Tennessee, identified as a portion of Tax Parcel 95.02 on Knox County Tax Map 74, recorded in the Knox County’s Register’s Office as Instrument Number #201509020014813, consisting of 6.725 acres of land (the “Property”); and

Whereas, the Property is not useful and necessary for the continued operation of the electric system substantially as it now exists, and is not needed for use by any other KUB system; and

Whereas, pursuant to Section VII of the KUB Procurement Procedures previously adopted by the KUB Board of Commissioners (the “Board”), the President and Chief Executive Officer (“CEO”) of KUB has determined that the Property is not needed by the electric system or any other KUB system; and

Whereas, the bond resolutions for the KUB Electric Division authorize the disposal of property of the electric system which the Board determines to be no longer necessary and useful in the operation thereof; and

Whereas, in accordance with the City Charter, Tennessee Code Annotated 7-52-103(a)(6), and KUB’s Procurement Procedures and Procurement Guidelines, the sale of the Property may occur in a manner that is in the best interest of KUB and the Electric Division.

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE KNOXVILLE UTILITIES BOARD:

Section 1. That the Property is not useful and necessary to the continued safe, efficient and economic operation of the KUB electric system, substantially as it now exists, nor is it needed by any other KUB system.

Section 2. That the President and CEO or the authorized designee of the President and CEO be, and hereby is, authorized and directed to sell the Property in a manner that is in the best interest of KUB and the Electric Division, and consistent with KUB's Procurement Procedures and state law, to execute all documents, including without limitation a deed, that are necessary and proper to transfer the Property and to do all things that the President and CEO or the authorized designee of the President and CEO deems reasonable and necessary to effectuate such transfer.

Section 3. That the proceeds of the sale shall be placed into the accounts of the Electric Division in accordance with the Electric System Bond Resolution.

Section 4. That this Resolution shall take effect upon its passage.

Celeste Herbert/s
Celeste Herbert, Chair

Bill Coley/s
Bill Coley, Board Secretary

APPROVED ON 1st
& FINAL READING: 6-21-18
EFFECTIVE DATE: 6-21-18
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