



Knoxville Utilities Board

**Board Meeting Agenda  
Thursday, December 16, 2021  
Noon**

**Call to Order**

**Roll Call**

**Approval of Minutes**

**Official Action**

Resolution 1448 – A Resolution Amending the Existing Purchased Power Adjustment of the Electric Division, as Previously Established by Resolution No. 1065, as Heretofore Amended, to Further Address Changes to Wholesale Power Supply Costs Provided by the Tennessee Valley Authority's Pandemic Recovery Credit Program – 2<sup>nd</sup> Reading

Resolution 1449 – A Resolution Requesting the City Council of the City of Knoxville to Adopt a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2021 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

Resolution 1450 – A Resolution to Amend Resolution No. 1444, the Caption of Which is as Follows: "A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Fiber Division Beginning August 19, 2021, Providing for Expenditures Paid for the Period Beginning August 19, 2021, and Ending June 30, 2022

**President's Report**

**Other Business**

**Public Comments**

**Adjournment**



December 10, 2021

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

Commissioners:

The December 16 Board meeting agenda includes consideration of the following official action items:

- Amendment to the Electric Division's Purchased Power Adjustment (PPA) related to the use of Pandemic Recovery Credits from TVA on second and final reading
- Fiscal year 2022 tax equivalents for the electric and natural gas systems
- Amendment increasing Fiber Division budget appropriations for fiscal year 2022

An overview of each resolution is provided below.

**Resolution 1448 (Second and Final Reading)**

Resolution 1448 further amends the Electric Division's Purchased Power Adjustment (PPA) related to the use of Pandemic Recovery Credits from TVA.

KUB will receive its estimated \$7.3 million in standard service credits from TVA through its monthly wholesale power invoice from TVA over a period of twelve months beginning with the October 2021 invoice. In a prior amendment to the PPA, the Board authorized \$1.3 million be set aside, which will be used to provide utility bill assistance to customers with outstanding payment arrangements for past due balances. Resolution 1448, passed on first reading in November, sets aside the remainder of the credits, which will be used to provide additional funding for customer assistance programs.

If approved on second and final reading, Staff will apply the estimated remaining \$6 million in credits toward emergency utility bill assistance (\$5 million) and home weatherization (\$1 million).

Resolution 1448 is enclosed for your review. I recommend its adoption on second and final reading.

### **Resolution 1449**

State law requires City Council, as the municipality's governing body, to pass a resolution setting the in lieu of tax payments for KUB's electric and gas systems each fiscal year and providing for their distribution to the appropriate taxing jurisdictions.

Tax equivalents for the electric system for fiscal year 2022 are \$16,791,348. Tax equivalents for the gas system for fiscal year 2022 are \$7,082,386. Both electric and gas tax equivalent payments are the maximum amounts provided for under state law. Electric and gas tax equivalent payments will be made to the respective taxing jurisdictions on the last business day of June. A summary of all tax equivalent payments for fiscal year 2022 is enclosed for your information. Although it doesn't require official action by the Board or City Council, our presentation will also cover the in lieu of tax payments for the water and wastewater systems.

Resolution 1449, enclosed for your information, requests the City Council of Knoxville to set the in lieu of tax payments for KUB's electric and gas systems and to establish the allocation of payments to the various taxing jurisdictions for the fiscal year ending June 30, 2022. I recommend its adoption on first and final reading.

### **Resolution 1450**

Resolution 1450 amends budget appropriations for the Fiber Division for the period beginning August 19, 2021 and ending June 30, 2022.

The Board initially approved budget appropriations of \$6 million for the Fiber Division at its meeting on August 19 to fund operating and capital expenditures related to the fiber system communication network for the provision of broadband services.

Since the August meeting, staff has identified the need to accelerate the purchase of internet protocol address licenses necessary for connecting to the web and routing internet traffic. The value and market for internet address licenses has risen sharply in recent months and market conditions indicate costs will continue to rise with potential availability limitations in the future. Accelerating the timing of the purchases will save costs over the long-term. Staff is recommending the Fiber Division budget be amended by adding \$4 million in budget appropriations for the fiscal year ending June 30, 2022.

A letter from Mark Walker, Senior VP and CFO, certifying the availability of funds for the proposed additional Fiber Division budget appropriations is enclosed.

Resolution 1450 is also enclosed for your information. I recommend its adoption on first and final reading.

Respectfully submitted,



Gabriel J. Bolas II  
President and CEO

## RESOLUTION NO. 1448

### **A Resolution Amending the Existing Purchased Power Adjustment of the Electric Division, as Previously Established by Resolution No. 1065, as Heretofore Amended, to Further Address Changes to Wholesale Power Supply Costs Provided by the Tennessee Valley Authority's Pandemic Recovery Credit Program**

**Whereas**, Knoxville Utilities Board of Commissioners (the "Board") has rate setting authority pursuant to Article XI of the Charter of the City of Knoxville; and

**Whereas**, the Board previously adopted Resolution No. 1065, as heretofore amended, providing for a Purchased Power Adjustment ("PPA") for the Electric Division; and

**Whereas**, Knoxville Utilities Board ("KUB") purchases its full electric power requirements from the Tennessee Valley Authority ("TVA"); and

**Whereas**, the communities in KUB's service territory continue to be impacted by the worldwide COVID-19 pandemic; and

**Whereas**, the TVA Board of Directors recently approved a one-year extension of pandemic relief financial assistance ("Pandemic Recovery Credits") for local power companies to invest in their communities and support those they serve; and

**Whereas**, TVA's Pandemic Recovery Credits include two categories, one based on Standard Service volumes, and the other based on the volumes of each Non-Standard Service customer; and

**Whereas**, KUB will receive Pandemic Recovery Credits from TVA on the monthly wholesale power invoice for the period October 2021 to September 2022; and

**Whereas**, it is estimated the Standard Service Pandemic Recovery Credits to be received by KUB will total \$7,300,000; and

**Whereas**, at the October 21, 2021 meeting of the Board, the Board adopted Resolution 1446 which set aside \$1,300,000 of Pandemic Recovery Credits to provide utility bill assistance to KUB customers, particularly those with outstanding payment arrangements for past due balances; and

**Whereas**, at the October 21, 2021 meeting of the Board, the Board adopted a motion directing KUB staff to present a resolution for Board consideration at the November 18, 2021 meeting of the Board setting aside all of the Pandemic Recovery Credits for uses determined to be in the best interest of KUB and its customers; and

**Whereas**, in accordance with Section 1107(L) of the Charter of the City of Knoxville, KUB has provided the required public notice of not less than five (5) days prior to a meeting of the Board when a rate schedule change is to be considered.

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

**Section 1.** That all Pandemic Recovery Credits provided by TVA to KUB on the monthly wholesale invoice for the period October 2021 to September 2022 shall be excluded from the Unrecovered Purchased Power Adjustment Accounts (EL 191010 and EL 191020).

**Section 2.** That this Resolution shall be effective upon second and final reading.

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Jerry Askew, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
READING: 11-18-21  
APPROVED ON 2<sup>nd</sup>  
READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
MINUTE BOOK 45 PAGE \_\_\_\_\_

## Summary of FY 2022 Tax Equivalent Payments

KUB is required under state law and the City Charter to make in lieu of tax payments (tax equivalents) to the taxing jurisdictions in which its utility systems are located. State law sets forth the basis for electric and gas system tax equivalents, while the City Charter addresses tax equivalents for the water and wastewater systems.

Under state law, the City Council of Knoxville is required to pass a resolution setting the annual tax equivalent amounts for the electric and gas systems, and the allocation of such payments to the respective taxing jurisdictions (i.e. City of Knoxville, Knox County, etc.). The basis for the allocation of payments is also set forth in state law. Since state law is silent on water and wastewater tax equivalents, the KUB Board sets these amounts in a manner prescribed by the City Charter. Water and wastewater payments are made to the City of Knoxville.

Total tax equivalents for FY 2022 are \$32,447,067, representing a decrease of \$22,036 from last fiscal year, as set forth below.

	<b>FY 2022</b>	<b>FY 2021</b>	<b>Change</b>	<b>% Increase</b>
<b>Electric Division</b>	<b>\$16,791,348</b>	<b>\$16,891,189</b>	<b>(\$99,841)</b>	<b>(5.9%)</b>
<b>Gas Division</b>	<b>\$7,082,386</b>	<b>\$7,166,619</b>	<b>(\$84,233)</b>	<b>(1.2%)</b>
<b>Water Division</b>	<b>\$3,446,015</b>	<b>\$3,528,135</b>	<b>(\$82,120)</b>	<b>(2.3%)</b>
<b>Wastewater Division</b>	<b>\$5,127,318</b>	<b>\$4,883,160</b>	<b>\$244,158</b>	<b>5.0%</b>
	<b>\$32,447,067</b>	<b>\$32,469,103</b>	<b>(\$22,036)</b>	<b>(0.1%)</b>

The decreased level in tax equivalent payments over the prior fiscal year is primarily the result of lower combined tax rates and equalization rates being applied to KUB's utility system assets. Only one taxing jurisdiction increased their combined rate this year. Each system continued to experience growth in utility system assets, reflecting KUB's Century II infrastructure and advanced meter programs, and higher energy sales margins.

Total payments to the City of Knoxville for FY 2022 will be \$21,305,955. Total payments to Knox County will be \$10,115,542. Total payments to other taxing jurisdictions will be \$1,025,570.

Water and wastewater payments will be paid to the City on February 28, 2022. Electric and gas payments will be paid to the respective taxing jurisdictions on June 30, 2022.

## RESOLUTION NO. 1449

### **A Resolution Requesting the City Council of the City of Knoxville to Adopt a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2021 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions**

**Whereas**, in accordance with Section 1101 of the Charter of the City of Knoxville, the purchase, sale, and distribution of electric and gas services by the City of Knoxville are under the jurisdiction, control, and management of the Knoxville Utilities Board (“KUB”); and

**Whereas**, the state of Tennessee adopted electric and gas tax equivalent statutes in 1987 (TCA Sections 7-52-301 et seq. and Sections 7-39-401 et seq.) in order to gain uniformity with respect to payments in lieu of taxes on the property and operations of all electric and gas systems owned and operated by incorporated cities or towns, by counties, and by metropolitan governments in the state of Tennessee; and

**Whereas**, the statutes provide that every municipality may cause an amount to be paid from its electric and/or gas system revenues for tax equivalents which, in the judgment of the municipality’s governing body (i.e. City Council of Knoxville), after consultation with the supervisory body (i.e. KUB), represents the fair share cost of government to be borne by the electric system and/or gas system; and

**Whereas**, the statutes include formulas which establish the maximum annual tax equivalent payment for electric and gas systems; and

**Whereas**, the statutes provide the basis for the allocation and distribution of tax equivalent payments to the various taxing jurisdictions, except to the extent any such payments were allocated and distributed under established arrangements in existence immediately prior to the adoption of the statutes; and

**Whereas**, KUB had an established arrangement for the allocation and distribution of electric and gas system tax equivalent payments, as defined by the statutes, in existence immediately prior to the adoption of said statutes; and

**Whereas**, KUB has prepared a proposed resolution for passage by the City Council of Knoxville, a copy of which resolution is attached hereto and made a part hereof (hereinafter referred to as the “Proposed Resolution”).

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

**Section 1.** That the KUB Board of Commissioners (the “Board”), after due consideration, finds that it is in the best interest of KUB and the City of Knoxville to make electric and gas tax equivalent payments for the fiscal year beginning July 1, 2021, totaling \$16,791,348 for the electric system and \$7,082,386 for the gas system (hereinafter referred to as “Tax Equivalents”), with the aforesaid Tax Equivalents being the maximum amounts permitted by law.

**Section 2.** That this Board, after due consideration, finds that the following allocation and distribution of the aforesaid Tax Equivalents to the following taxing jurisdictions is required under the applicable statutes:

	<u>Electric Tax Equivalents</u>	<u>Gas Tax Equivalents</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$ 8,702,736	\$4,029,886	\$12,732,622
Knox County	7,067,434	3,048,108	10,115,542
Union County	369,292		369,292
Sevier County	369,386		369,386
Grainger County	176,924		176,924
Jefferson County	84,171		84,171
Blount County	9,900		9,900
Anderson County	11,505	2,983	14,488
Loudon County	<u>                    </u>	<u>1,409</u>	<u>1,409</u>
Total	\$16,791,348	\$7,082,386	\$23,873,734

**Section 3.** That this Board hereby formally requests City Council to pass the Proposed Resolution, and this Board does hereby adopt, ratify, approve, consent and agree to each and every recital and provision contained in the Proposed Resolution.

**Section 4.** That this Board finds that the statutory obligation for consultation with the supervisory body (KUB) will be fulfilled by the delivery of this resolution to City Council.

**Section 5.** That upon City Council’s passage of the Proposed Resolution, the President and Chief Executive Officer, or the Chief Financial Officer, is hereby authorized and directed to distribute the Tax Equivalents to the respective taxing jurisdictions in accordance with the Proposed Resolution; provided, however, that the amount of such Tax Equivalents to be paid to any taxing jurisdiction specified in the Proposed Resolution shall be appropriately reduced by the aggregate amount of any qualified state, county, city and other local taxes or charges imposed for such fiscal year by or for the benefit of such taxing jurisdiction, said reduction being required by the statutes.

**Section 6.** That the President and Chief Executive Officer is authorized to deliver copies of this Resolution to the Mayor and City Council as formal evidence of this Board’s action in connection therewith.



**Section 7.** BE IT FURTHER RESOLVED that this Resolution shall take effect from and after its passage.

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Jerry Askew, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
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## RESOLUTION

### **A Resolution of the Council of the City of Knoxville Setting the In Lieu of Tax Payments for the Electric and Gas Systems of the Knoxville Utilities Board for the Fiscal Year Beginning July 1, 2021 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions**

**Whereas**, under the state of Tennessee electric and gas tax equivalent statutes (TCA Section 7-52-301 et seq. and Section 7-39-401 et seq.), the Council of the City of Knoxville, after consultation with the Knoxville Utilities Board (hereinafter referred to as “KUB”), may cause to be paid from KUB’s Electric and Gas Divisions an amount for payments in lieu of taxes (hereinafter referred to as “Tax Equivalents”) on KUB’s electric and gas systems and operations which, in the judgment of City Council, shall represent the fair cost of government properly to be borne thereby; and

**Whereas**, the amount of Tax Equivalents that may be set by City Council is to be in lieu of all state, county, city and other local taxes or charges imposed on KUB’s Electric and Gas Divisions for the fiscal year by the various taxing jurisdictions in which the properties of the electric and gas systems are situated, said amount being subject to a maximum limitation that may be paid for a fiscal year; and

**Whereas**, the Tax Equivalents are to be distributed to the respective taxing jurisdictions in accordance with a mandatory distribution formula or under established arrangements with taxing jurisdictions in effect immediately prior to the adoption of the statutes, both as provided for in the statutes; and

**Whereas**, KUB had established arrangements in place with taxing jurisdictions for the allocation and distribution of in lieu of tax payments on KUB’s electric and gas systems immediately prior to the adoption of the statutes; and

**Whereas**, KUB, by its passage of Resolution No. 1449 on December 16, 2021, and the delivery of same to City Council, has requested City Council pass a resolution setting the Tax Equivalents for the fiscal year beginning July 1, 2021, and providing for the allocation and distribution of the Tax Equivalents to the affected taxing jurisdictions (hereinafter referred to as “Proposed Resolution”); and

**Whereas**, City Council, having consulted with KUB regarding the setting of the Tax Equivalents and the allocation and distribution thereof to the affected taxing jurisdictions, hereby finds that KUB’s Proposed Resolution is in the best interests of the City of Knoxville and KUB.

**NOW THEREFORE BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF KNOXVILLE:**

**Section 1.** That pursuant to T.C.A. Sections 7-52-301 et seq. and Sections 7-39-401 et seq., the Council of the City of Knoxville hereby sets the Tax Equivalents for KUB's electric and gas systems for the fiscal year beginning July 1, 2021, at a total of \$23,873,734, representing \$16,791,348 in electric Tax Equivalents and \$7,082,386 in gas Tax Equivalents, said amounts being the maximum amount of Tax Equivalents that may be paid from KUB's Electric and Gas Divisions under law.

**Section 2.** That the aforesaid Tax Equivalents be distributed in accordance with law to the following taxing jurisdictions in the amounts specified below:

	<u>Electric Tax Equivalents</u>	<u>Gas Tax Equivalents</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$ 8,702,736	\$4,029,886	\$12,732,622
Knox County	7,067,434	3,048,108	10,115,542
Union County	369,292		369,292
Sevier County	369,386		369,386
Grainger County	176,924		176,924
Jefferson County	84,171		84,171
Blount County	9,900		9,900
Anderson County	11,505	2,983	14,488
Loudon County		<u>1,409</u>	<u>1,409</u>
Total	\$16,791,348	\$7,082,386	\$23,873,734

**Section 3.** That the statutory obligation for City Council to consult with the supervisory body (KUB) was satisfied by the delivery of KUB Resolution No. 1449 to City Council.

**Section 4.** That KUB be and hereby is authorized and directed to aforesaid amounts of Tax Equivalents to the respective taxing jurisdictions specified above; provided, however, that the amount of such Tax Equivalents to be paid to any taxing jurisdiction shall be appropriately reduced by the aggregate amount of any qualified state, county, city and other local taxes or charges imposed for such fiscal year by or for the benefit of such taxing jurisdiction, said reduction being required by law.

**Section 5.** That this resolution shall take effect immediately upon its passage, the public welfare requiring it, and a certified copy hereof shall be delivered to the President and Chief Executive Officer of KUB as formal evidence of this Council's action in connection therewith.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Recorder

## RESOLUTION NO. 1450

**A Resolution to Amend Resolution No. 1444, the Caption of Which is as Follows:  
“A Resolution Making and Fixing the Annual Budget Appropriations of the  
Knoxville Utilities Board from the Funds of the Fiber Division Beginning August  
19, 2021, Providing for Expenditures Paid for the Period Beginning August 19,  
2021, and Ending June 30, 2022”**

**Whereas**, Section 1109 of the Charter of the City of Knoxville provides that “No money shall be drawn from the treasury of the system nor shall any obligation for the expenditure of money be incurred except in pursuance of appropriations made by the board”; and

**Whereas**, the Knoxville Utilities Board of Commissioners (hereinafter referred to as the “Board”) adopted Resolution No. 1444, making and fixing the annual budget appropriations for the Fiber Division of the Knoxville Utilities Board (hereinafter referred to as “KUB”) for the period beginning August 19, 2021 ending June 30, 2022; and

**Whereas**, the Board has determined it is appropriate to amend the budget appropriations for the Fiber Division for the current fiscal year, by increasing the amount of expenditures authorized to be paid on or before June 30, 2022; and,

**Whereas**, the Chief Financial Officer has certified to the Board the availability of funds to fund the proposed increase in budget appropriations.

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

**Section 1.** That Section 1 of Resolution No. 1444 previously approved by this Board, be amended by adding **\$4,000,000** to the budget appropriations of the Fiber Division for expenditures to be paid on or before June 30, 2022, thereby increasing the existing budget appropriations of the Fiber Division from **\$6,000,000** to **\$10,000,000**.

**Section 2.** That funds will be available for the Fiber Division to fund the expenditures to be paid for the fiscal year beginning August 19, 2021, as noted in Section 1 of this resolution. The availability of funds has been certified by letter from the Senior Vice President and Chief Financial Officer, whereby said letter is attached to and incorporated by reference as part of this Resolution.

**Section 3.** That this Resolution shall take effect from and after its passage.

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Jerry Askew, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
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Knoxville Utilities Board

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December 10, 2021

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

Commissioners,

I hereby certify that within the meaning of Section 1109 of the City of Knoxville Charter and Article IX.B.2.e. of the Board's By-Laws there are sufficient funds adequate to fund the proposed additional budget appropriations.

\$4,000,000 for the Fiber Division, thereby increasing the existing budget appropriations from \$6,000,000 to \$10,000,000 for the Division's initial fiscal year beginning August 19, 2021.

The availability of funds for budget appropriations is based on general fund cash and all available cash reserves of the Fiber Division as of August 19, 2021, and all monies anticipated to come into the general fund of the Fiber Division on or before June 30, 2022 from utility sales at rates approved by the KUB Board; from other fees, charges, sales proceeds, accounts and notes receivable, or other credits in the process of collection; and from proceeds of authorized debt issues and interdivisional loans.

Please see the enclosed worksheet which demonstrates the availability of funds to support the proposed additional budget appropriations.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Mark A. Walker'.

Mark A. Walker  
Senior Vice President and CFO

Enclosure

**Dec 2021: Certification of Available Funds - FY 2022 Budget Appropriations**

**Fiber Division: Certification of Available Funds**

	<u>FY 2022</u>
Beginning General Fund Cash	\$0
Sales Revenues	\$0
Other Revenues/Receipts	\$0
Cash Reserves	\$0
Inter-Divisional Loan Proceeds - Electric	\$10,000,000
Total	<u>\$10,000,000</u>
FY 2022 Budget Appropriations (Res. 1444)	\$6,000,000
FY 2022 Budget Appropriations (Res. 1450)	<u>\$4,000,000</u>
<b>Available Funds</b>	<b>\$0</b>

**Knoxville Utilities Board  
Board Meeting  
Minutes  
Thursday, November 18, 2021 Noon**

**Call to Order**

The Knoxville Utilities Board met in regular session in the Mintha E. Roach Corporate Services and Conference Center at 4505 Middlebrook Pike, on Thursday, November 18, 2021, pursuant to the public notice published in the January 2, 2021, edition of the *News Sentinel*. Chair Jerry Askew called the meeting to order at 12:00 p.m.

**Roll Call**

Commissioners Present: Jerry Askew, Claudia Caballero, Kathy Hamilton, Celeste Herbert, Adrienne Simpson-Brown, Tyvi Small, and John Worden.

Commissioner Absent: None

**Approval of Minutes**

Upon a motion by Commissioner Herbert and a second by Commissioner Caballero, the October 21, 2021 Board Meeting minutes were approved by a roll call vote. The following Commissioners voted “aye”: Askew, Caballero, Hamilton, Herbert, Simpson-Brown, and Worden. No Commissioner voted “nay”.

**Old Business**

None

**New Business**

**Resolution 1447, A Resolution Authorizing the Purchase, Sale, Transportation and Storage of Natural Gas and Repealing Resolution 1387**

President Gabriel Bolas recognized Sherri Ottinger, Manager of Rates, to provide the annual update on natural gas supply and projected energy bills for this winter, followed by proposed changes to the Natural Gas Contracting Authority Policy.

President Bolas recommended adoption of Resolution 1447 on first and final reading. His written recommendation is included in Attachment 1.

A motion was made by Commissioner Small and a second by Commissioner Simpson-Brown to adopt Resolution 1447 on first and final reading.



November 18, 2021

Public comments were heard from the following regarding Resolution 1447:

Brady Watson – 229 Haywood Avenue – Knoxville, TN 37920

Kent Minault -311 Glenwood Avenue – Knoxville, TN 37917

Resolution 1447 was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Askew, Caballero, Hamilton, Herbert, Simpson-Brown, Small, and John Worden. No Commissioner voted “nay”.

**Resolution 1448, A Resolution Amending the Existing Purchased Power Adjustment of the Electric Division, as Previously Established by Resolution No. 1065, as Heretofore Amended, to Further Address Changes to Wholesale Power Supply Costs Provided by the Tennessee Valley Authority’s Pandemic Recovery Credit Program**

President Bolas advised that at last month’s meeting the Board approved an amendment to the Purchased Power Adjustment (PPA) setting aside \$1.3M in TVA Pandemic Recovery Credits, which will be used to assist customers with outstanding payment arrangements. The Board also passed a motion directing Staff to present a resolution for consideration at today’s meeting to further amend the PPA to set aside all Pandemic Recovery Credits. He advised that Resolution 1448 amends the PPA to exclude Pandemic Recovery Credits from TVA for the period of October 2021 through September 2022 and that \$1M will be used for weatherization, \$5M for emergency utility bill customer assistance, and \$1.3M will be used to assist customers with outstanding payment arrangements.

President Bolas recommended adoption of Resolution 1448 on first reading. His written recommendation is included in Attachment 2.

A motion was made by Commissioner Worden and a second by Commissioner Small to adopt Resolution 1448 on first reading.

Public comments were heard from the following regarding Resolution 1448:

Brianna Knisley – 5316 Pinnacle Drive – Knoxville, TN 37914

Brady Watson – 229 Haywood Avenue – Knoxville, TN 37920

Resolution 1448 was adopted by a roll call vote on first reading. The following Commissioners voted “aye”: Askew, Caballero, Hamilton, Herbert, Simpson-Brown, Small, and John Worden. No Commissioner voted “nay”.

November 18, 2021

**President's Report**

**Water Supply Master Plan Update**

President Bolas advised Commissioners work to build resiliency at the Mark B. Whitaker Water Plant is a key initiative within our Century II program to ensure safe and reliable water service for the community. He recognized Joey Henry, an Engineer in Water Systems Engineering, to provide an update on this work.

**Other Business**

None

**Public Comment**

None

**Adjournment**

There being nothing further to come before the Board, Chair Askew declared the Board meeting adjourned at 1:21 p.m.

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Jerry Askew, Chair

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Mark Walker, Board Secretary

**Attachments**

Attachment 1	Recommendation Letter and Resolution 1447 – A Resolution Authorizing the Purchase, Sale, Transportation and Storage of Natural Gas and Repealing Resolution 1387	<b><u>Page(s)</u></b> 11269 – 11275
Attachment 2	Resolution 1448 – A Resolution Amending the Existing Purchased Power Adjustment of the Electric Division, as Previously Established by Resolution No. 1065, as Heretofore Amended, to Further Address Changes to Wholesale Power Supply Costs Provided by the Tennessee Valley Authority’s Pandemic Recovery Credit Program	11276 – 11277



November 12, 2021

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

Commissioners:

The November 18 Board meeting agenda includes two official action items, including a resolution amending the Natural Gas Contracting Authority Policy and a resolution amending the Purchased Power Adjustment (PPA) regarding the use of Pandemic relief assistance provided by TVA.

**Resolution 1447**

The Board previously adopted a Natural Gas Contracting Authority Policy authorizing the purchase, sale, transportation, and storage of natural gas under certain terms and conditions. The Policy was last updated in 2018.

Resolution 1447 adopts a revised Natural Gas Contracting Authority Policy, providing KUB additional flexibility in purchasing East Tennessee Natural Gas (“ETNG”) pipeline capacity.

Natural gas purchased by KUB for its customers is transported on the ETNG pipeline, which is the only pipeline directly connected to KUB’s natural gas distribution system. Although ETNG pipeline capacity is currently fully subscribed, from time to time existing capacity may come available for pipeline users (such as KUB) to competitively bid upon. Given our desire to increase our ETNG pipeline capacity to accommodate future customer growth, we are interested in bidding on existing capacity when it becomes available.

Such bidding opportunities typically provide little advance notice and include a relatively concise bid period. This would likely not provide sufficient time for staff to bring forth a resolution for Board consideration in the event the desired ETNG capacity would raise our total ETNG capacity above the limits of the Policy.

The revised Policy grants KUB the authority to exceed the capacity limit through the bidding process for ETNG pipeline capacity, provided the President and CEO shall notify the Board’s Audit and Finance Committee in advance of any such bid that would exceed the capacity limit.

Resolution 1447 is enclosed for your information. I recommend its approval on first and final reading.

**Resolution 1448 (First Reading)**

Resolution 1448 further amends the Electric Division's Purchased Power Adjustment (PPA) related to the use of Pandemic Recovery Credits from TVA.

KUB will receive its estimated \$7.3 million in standard service credits from TVA through its monthly wholesale power invoice from TVA over a period of twelve months beginning with the October 2021 invoice.

As you will recall, at last month's meeting the Board approved, on second and final reading, an amendment to the PPA to set aside \$1.3 million in Pandemic Recovery Credits to provide utility bill assistance for customers with outstanding payment arrangements for past due balances.

There was also discussion about the use of the remaining estimated \$6 million in Pandemic Recovery Credits. Following the discussion, the Board directed Staff to present a resolution for Board consideration at the November meeting to further amend the PPA to set aside all of the Pandemic Recovery Credits to provide funding for customer assistance programs.

If approved, Staff recommends applying the estimated remaining \$6 million in credits toward emergency utility bill assistance (\$5 million) and home weatherization (\$1 million).

Resolution 1448 is enclosed for your review. I recommend its adoption on first reading. If adopted on first reading, second reading would occur at the December Board meeting.

Respectfully submitted,



Gabriel J. Bolas II  
President and CEO

## RESOLUTION NO. 1447

### **A Resolution Authorizing the Purchase, Sale, Transportation and Storage of Natural Gas and Repealing Resolution 1387**

**Whereas**, historically the Knoxville Utilities Board (“KUB”) purchased all or a major part of its natural gas supply from East Tennessee Natural Gas Company (“ETNG”); and

**Whereas**, in 1992 the Federal Energy Regulatory Commission issued orders which deregulated the sale and restructured the transportation of natural gas; and

**Whereas**, recognizing the necessity of maintaining an economic and reliable supply of natural gas in a rapidly changing market environment, the Board of Commissioners of the Knoxville Utilities Board (the “Board”) adopted Resolution No. 817 and, subject to certain limitations, thereby temporarily authorized the negotiation and execution of contracts for the supply and transportation of natural gas without the further approval of the Board; and

**Whereas**, in Resolution No. 817, the Board instructed the President and Chief Executive Officer (CEO) to recommend to the Board a long-term policy with respect to the purchase and transportation of natural gas; and

**Whereas**, by Resolutions No. 856, 970, and 1387, the Board authorized employees in certain KUB positions to contract for the purchase, sale, transportation, and storage of natural gas; and

**Whereas**, KUB transports all its natural gas supply on the ETNG pipeline, which is the only pipeline directly connected to KUB’s natural gas distribution system; and

**Whereas**, KUB desires to increase its existing and future pipeline transportation capacity to meet the needs of its customers and facilitate customer growth; and

**Whereas**, construction of new natural gas pipelines and substantial upgrades to capacity are costly endeavors and the ETNG pipeline currently has no known plans to increase the capacity at KUB’s connection points to the pipeline (city gate stations); and

**Whereas**, the ETNG pipeline is fully subscribed and capacity is rarely turned back by the existing shippers; and

**Whereas**, from time to time, existing pipeline capacity on the ETNG pipeline may come available for pipeline shippers to bid upon; and

**Whereas**, the opportunity to bid on existing ETNG Pipeline capacity may not be known in advance and when announced, the bid period may be less than two weeks; and

**Whereas**, a short bid period does not provide sufficient time for KUB staff to bring a resolution to the Board at its monthly meeting, thereby precluding KUB from participating in the bid process and potentially obtaining additional ETNG Pipeline capacity; and

**Whereas**, the Board desires KUB to have the flexibility to participate in such bids and not miss an opportunity to obtain additional ETNG Pipeline capacity should it become available.

**Whereas**, the Board desires to update the existing Gas Contracting Authority Policy to provide additional flexibility in purchasing ETNG Pipeline capacity.

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

**Section 1.** That the Board hereby adopts the Gas Contracting Authority Policy attached hereto as Exhibit A providing for the authority to contract for the purchase, sale, transportation, and storage of natural gas.

**Section 2.** That, periodically, the President and CEO shall report to the Board in such detail as may reasonably be required to permit the Board to monitor the purchase, sale, transportation and storage of gas by KUB under this resolution.

**Section 3.** That Resolution 1387, authorizing the purchase, sale, transportation, and storage of natural gas, and all resolutions amendatory thereto adopted prior to this resolution are hereby repealed.

**Section 4.** This Resolution shall take effect immediately upon its passage.

Jerry Askew/s  
Jerry Askew, Chair

Mark Walker/s  
Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: 11-18-21  
EFFECTIVE DATE: 11-18-21  
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**Knoxville Utilities Board**  
**Natural Gas Contracting Authority Policy**

**November 2021**

The President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) be and they hereby are each authorized to contract for the purchase, sale, transportation and storage of natural gas on such terms and conditions as such officer determines are in the best interests of KUB and its customers, all subject to the following conditions:

**A. PURCHASE AND TRANSPORTATION**

Notwithstanding Section A (vi), authority is hereby granted to purchase and transport up to One Hundred Sixty Thousand (160,000) dekatherms of natural gas per day (the "Maximum Capacity"), subject to the following limitations and conditions:

(i) Authority is granted to contract from time to time for the purchase and transportation of up to the Maximum Capacity of natural gas under contracts having a term from the date of such contract of two (2) years or less.

(ii) Authority is granted to contract from time to time for the purchase and transportation of natural gas under contracts having a term from the date of such contract of more than two (2) years but in no event more than six (6) years, provided that the total supply and capacity of natural gas provided for under any such contract executed after the date of this Resolution shall not exceed Fifteen Thousand (15,000) dekatherms per day.

(iii) The Maximum Capacity at any point in time shall be inclusive of all the then currently executed firm contracts in service at that point in time for the purchase and/or transportation of natural gas to the facilities of KUB.

(iv) Authority is hereby granted to purchase and transport natural gas for the operation of KUB's system on an interruptible basis.

(v) Authority is hereby granted for KUB to assign its capacity, accept an assignment of capacity (in cases of reciprocal agreements), and/or sell its capacity for the transportation and/or storage of natural gas in connection with entering into contracts for the purchase, transportation, and/or storage of natural gas with suppliers



of natural gas and/or suppliers of capacity for the transportation and/or storage of natural gas. The term of any sale or assignment of capacity shall not exceed the term of the corresponding supply contract. Any sale or assignment of capacity shall be on terms and conditions which are determined to be in the best interest of KUB.

(vi) Authority is hereby granted for KUB to bid on pipeline capacity on the East Tennessee Natural Gas ("ETNG") Pipeline as it may come available for competitive bidding. The term and value of the bid should be deemed at the then market price of capacity. The volume for bidding shall be determined by KUB, and authority is granted to exceed One Hundred Sixty Thousand (160,000) dekatherms of ETNG Pipeline capacity through the bidding process.

The President and CEO, or his/her designee, shall notify the KUB Board's Audit and Finance Committee in advance of any such bid that would result in KUB exceeding One Hundred Sixty Thousand (160,000) dekatherms of ETNG Pipeline capacity.

## B. STORAGE

Authority is granted to store up to Five Million dekatherms of natural gas. In addition thereto, authority is granted to contract from time to time for a term of not more than six (6) years from the date of such contract for the firm right to demand delivery from storage of up to Ten Thousand (10,000) dekatherms of natural gas per day. Any such contract shall be in addition to the then current contractual firm rights to demand delivery from storage. Authority is hereby granted to take such actions and adopt such policies and procedures as are necessary to assure KUB's right to withdraw natural gas which has been placed in storage.

## C. SALES OF EXCESS CAPACITY

Authority is hereby granted for KUB to sell excess quantities of its capacity for the transportation and/or storage of natural gas to other governmental or private natural gas distributors, other resellers and other industrial users. The price at which the transportation and/or storage capacity for natural gas is sold by KUB shall be a negotiated price which is determined to be in the best interest of KUB after considering the then current market prices and conditions. Contracts for the sale of transportation and/or storage capacity may be for a term not to exceed six (6) years. The contracts may provide that from time to time the sale may be terminated and/or recalled by KUB if KUB determines such action is necessary in order to adequately supply the customers on KUB's system. Non-recallable sales of transportation and/or storage capacity shall not exceed 25% of the Maximum Capacity at any point in time.

#### D. SALES OF EXCESS GAS

Authority is hereby granted for KUB to sell excess quantities of natural gas: (i) to Middle Tennessee Natural Gas, and other natural gas distributors or resellers doing business on the ETNG Pipeline system; (ii) to Resolute Forest Products, , ALCOA, Eastman Chemical Company , the Department of Energy (for its East Tennessee operations) and similar directly connected industrial users on the ETNG Pipeline system; (iii) to the Tennessee Valley Authority; (iv) to KUB's current suppliers and other suppliers with whom KUB has had a substantial relationship in the past and (v) to other governmental or private natural gas distributors, other resellers and other industrial users, provided that before entering into any such transaction the President and CEO, , and/or the CFO shall determine that the buyer is credit worthy. The price at which excess natural gas is sold by KUB shall be a negotiated price which is determined to be in the best interest of KUB after considering KUB's obligations to take the excess gas and the then current market prices and conditions. Contracts for the sale of natural gas shall not have a term in excess of two (2) years.

#### E. DEFINITIONS

As used in this Resolution: (i) "excess quantities of natural gas" shall mean the difference between: (a) the quantities of gas that KUB contracts to purchase from time to time to meet the reasonably anticipated requirements of the customers on KUB's gas system, and (b) the actual quantities of gas that are used by the customers on KUB's gas system; and (ii) "excess capacity" shall mean the difference between: (x) the capacity for transportation or storage that from time to time is contracted for by KUB to meet the reasonably anticipated requirements of the customers on KUB's gas system, and (y) the actual capacity for the transportation or storage that is used by KUB to serve the customers on KUB's gas system. To the extent reasonably necessary to assure the availability of customers who are willing to purchase KUB's excess quantities of natural gas, as defined above, additional quantities of gas may be purchased on an infrequent basis to meet the reasonable needs of KUB's excess supply customers.

#### F. DELEGATION OF AUTHORITY

The President and CEO, and the CFO are each hereby authorized: (i) to make written delegations of the authority granted by this Resolution to selected employees involved in the day to day operation of the buying and selling of natural gas provided this authority be limited to contracts with a maximum term of one (1) year and (ii) to adopt, modify, amend and revoke such operating policies and procedures as are necessary to protect the interests of KUB and its customers and to assure the economic, orderly and efficient purchase, sale, transportation and storage of natural gas by KUB.

## RESOLUTION NO. 1448

### **A Resolution Amending the Existing Purchased Power Adjustment of the Electric Division, as Previously Established by Resolution No. 1065, as Heretofore Amended, to Further Address Changes to Wholesale Power Supply Costs Provided by the Tennessee Valley Authority's Pandemic Recovery Credit Program**

**Whereas**, Knoxville Utilities Board of Commissioners (the "Board") has rate setting authority pursuant to Article XI of the Charter of the City of Knoxville; and

**Whereas**, the Board previously adopted Resolution No. 1065, as heretofore amended, providing for a Purchased Power Adjustment ("PPA") for the Electric Division; and

**Whereas**, Knoxville Utilities Board ("KUB") purchases its full electric power requirements from the Tennessee Valley Authority ("TVA"); and

**Whereas**, the communities in KUB's service territory continue to be impacted by the worldwide COVID-19 pandemic; and

**Whereas**, the TVA Board of Directors recently approved a one-year extension of pandemic relief financial assistance ("Pandemic Recovery Credits") for local power companies to invest in their communities and support those they serve; and

**Whereas**, TVA's Pandemic Recovery Credits include two categories, one based on Standard Service volumes, and the other based on the volumes of each Non-Standard Service customer; and

**Whereas**, KUB will receive Pandemic Recovery Credits from TVA on the monthly wholesale power invoice for the period October 2021 to September 2022; and

**Whereas**, it is estimated the Standard Service Pandemic Recovery Credits to be received by KUB will total \$7,300,000; and

**Whereas**, at the October 21, 2021 meeting of the Board, the Board adopted Resolution 1446 which set aside \$1,300,000 of Pandemic Recovery Credits to provide utility bill assistance to KUB customers, particularly those with outstanding payment arrangements for past due balances; and

**Whereas**, at the October 21, 2021 meeting of the Board, the Board adopted a motion directing KUB staff to present a resolution for Board consideration at the November 18, 2021 meeting of the Board setting aside all of the Pandemic Recovery Credits for uses determined to be in the best interest of KUB and its customers; and

**Whereas**, in accordance with Section 1107(L) of the Charter of the City of Knoxville, KUB has provided the required public notice of not less than five (5) days prior to a meeting of the Board when a rate schedule change is to be considered.

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

**Section 1.** That all Pandemic Recovery Credits provided by TVA to KUB on the monthly wholesale invoice for the period October 2021 to September 2022 shall be excluded from the Unrecovered Purchased Power Adjustment Accounts (EL 191010 and EL 191020).

**Section 2.** That this Resolution shall be effective upon second and final reading.

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Jerry Askew, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
READING: 11-18-21  
APPROVED ON 2<sup>nd</sup>  
READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
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