

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, February 16, 2017, 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, February 16, 2017, pursuant to the public notice published in the January 7, 2017, 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, Tyvi Small, Nikitia Thompson, and John Worden

Commissioners Absent: None

Approval of Minutes

The Minutes of the January 19, 2017, Board Meeting were approved as distributed upon a motion by Commissioner Small and seconded by Commissioner Thompson.

Old Business

None

New Business

Resolution 1356, A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2016 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

February 16, 2017

President Roach recognized Mark Walker, Senior Vice President and Chief Financial Officer, who reviewed the proposed tax equivalent payments and distribution of payments for the electric and gas systems for fiscal year 2017. He advised that state law requires that City Council adopt a resolution setting the amount of the electric and gas payments and providing for their distribution. Mr. Walker noted that the proposed electric and gas payments were the maximum amounts permitted by state law.

President Roach recommended adoption of Resolution 1356 on first and final reading. Her written recommendation is included in Attachment 1.

Upon a motion by Commissioner Askew and a second by Commissioner Hamilton, Resolution 1356 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Askew, Hamilton, Herbert, Pinnell, Small, Thompson, and Worden. No Commissioner voted "nay".

Resolution 1357, A Resolution Authorizing the Condemnation and the Taking of Utility Easements as may be Necessary in Support of the Tennessee Department of Transportation's (TDOT's) Chapman Highway Improvements Project

President Roach advised Commissioners that TDOT expedited a project on Chapman Highway which will require KUB to replace electric utilities. She advised that KUB has started the process to acquire easements but this project is on a short timeframe and therefore we are asking for blanket condemnation authority. She recognized Paul Randolph, Vice President of Energy Systems Engineering, to discuss the details of the proposed resolution.

President Roach recommended adoption of Resolution 1357 on first and final reading. Her written recommendation is included in Attachment 2.

Upon a motion by Commissioner Worden and a second by Commissioner Pinnell, Resolution 1357 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Askew, Hamilton, Herbert, Pinnell, Small, Thompson, and Worden. No Commissioner voted "nay".

President's Report

Grid Modernization

President Roach reminded Commissioners that in March of last year we presented our 4-year plan to roll out advanced meters to all KUB customers as the first phase of our Grid Modernization program. This phase of the program, is called Meter Modernization, began in July of 2016. She recognized Eddie Black, Senior Vice President and the executive sponsor of this initiative, to provide a status report.

February 16, 2017

Corporate Services Solar Project

President Roach reminded Commissioners that staff had discussed several environmental initiatives with the Board last April, including the rooftop solar project at the Hoskins Operations Center. She recognized Chris Wilson, Manager of Properties and Transportation, to provide an update on the rooftop solar project.

West Jackson Avenue Project

President Roach advised Commissioners that KUB recently completed utility construction on Jackson Avenue in advance of the City's upcoming streetscapes project. The utility construction was done by KUB's Underground Construction Department at a significant cost savings and resulted in positive customer feedback. She recognized Jamie Davis, Manager of Underground Construction, to provide a recap of the project.

Other Business

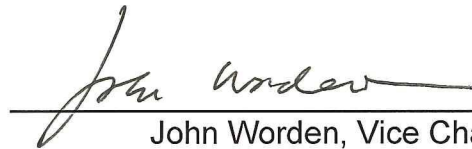
None

Adjournment

There being nothing further to come before the Board, Chair Herbert declared the meeting adjourned at 12:55 p.m.



Mark Walker, Board Secretary



John Worden, Vice Chair

Attachments

Attachment 1	Recommendation Letter and Resolution 1356, A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2016 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions	<u>Page(s)</u> 7937 – 7942
Attachment 2	Recommendation Letter and Resolution 1357, A Resolution Authorizing the Condemnation and the Taking of Utility Easements as may be Necessary in Support of the Tennessee Department of Transportation's (TDOT's) Chapman Highway Improvements Project	7943 – 7945



Knoxville Utilities Board

February 10, 2017

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

Commissioners:

State law requires City Council, as the municipality's governing body, to pass a resolution setting the in lieu of tax payments (tax equivalents) 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 2017 are \$14,828,556. Tax equivalents for the gas system for fiscal year 2017 are \$6,987,365. 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. An overview of all tax equivalent payments for fiscal year 2017 is attached for your information.

I recommend adoption of Resolution 1356, requesting 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, 2017.

Respectfully submitted,

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

Mintha E. Roach
President and CEO

RESOLUTION NO. 1356

A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2016 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, 2016, totaling \$14,828,556 for the electric system and \$6,987,365 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	\$ 7,472,820	\$3,739,824	\$11,212,644
Knox County	6,499,444	3,243,136	9,742,580
Union County	337,775		337,775
Sevier County	324,143		324,143
Grainger County	133,658		133,658
Jefferson County	39,253		39,253
Blount County	13,276		13,276
Anderson County	8,187	2,846	11,033
Loudon County	<u> </u>	<u>1,559</u>	<u>1,559</u>
Total	\$14,828,556	\$6,987,365	\$21,815,921

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.

Celeste Herbert/s
Celeste Herbert, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 2-16-17
EFFECTIVE DATE: 2-16-17
MINUTE BOOK 37 PAGE 7938-7942

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, 2016 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. 1356 on February 16, 2017, 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, 2016, 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, 2016, at a total of \$21,815,921, representing \$14,828,556 in electric Tax Equivalents and \$6,987,365 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	\$ 7,472,820	\$3,739,824	\$11,212,644
Knox County	6,499,444	3,243,136	9,742,580
Union County	337,775		337,775
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Loudon County	<u> </u>	<u>1,559</u>	<u>1,559</u>
Total	\$14,828,556	\$6,987,365	\$21,815,921

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. 1356 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



Knoxville Utilities Board

February 10, 2017

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

Commissioners:

KUB is required to relocate its electric utilities based on a reprioritization of roadway improvements which impacted the scheduling of TDOT's Chapman Highway project. After being notified in December of 2016, KUB completed the design and associated easement documents. TDOT is currently planning to bid the project on June 23 of this year, and all easements must be acquired by that date to meet TDOT's schedule. Staff is requesting condemnation authority to cover the required easements for this project. While we will work with property owners to acquire the easements on mutually agreeable terms, the requested authority will ensure that the project is not delayed in the rare events where actual condemnation is required.

Resolution 1357 provides that the Board will receive at least 10 days' notice of any proposed condemnation. If any Commissioner notifies the President and CEO prior to the date of condemnation, no action will be taken until it is considered at the next Board meeting.

A draft of Resolution 1357 and a list of property owners where easements will be necessary are enclosed for your review.

I recommend adoption of Resolution 1357.

Respectfully submitted,

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

Mintha E. Roach
President and CEO

RESOLUTION NO. 1357

A Resolution Authorizing the Condemnation and the Taking of Utility Easements as may be Necessary in Support of the Tennessee Department of Transportation's (TDOT's) Chapman Highway Improvements Project

Whereas, meeting TDOT's schedule for the Chapman Hwy Improvements Project ("Project") requires KUB to acquire easements for Electric utility improvements by June 2017 for its affected electric facilities (the "Facilities"); and

Whereas, portions of the utility construction ("The Work") will be performed inside utility easements located within KUB's service territory; and

Whereas, acquisition of the aforesaid easements must be obtained for the construction of the Facilities in a timely manner to ensure compliance with TDOT's construction schedule; and

Whereas, KUB's engineering staff, in conjunction with its engineering consultant, has designed the utility relocations required for the Project; and

Whereas, in the opinion of the KUB Board of Commissioners ("Board"), the acquisition of easements described in this Resolution for the Project best meets the needs and requirements of the public for the location, relocation, and improvements of the Facilities; and

Whereas, time is of the essence in constructing the Facilities and it is advantageous for KUB officials to be granted authority to condemn and acquire any necessary Project easements in the event they cannot be acquired by negotiations.

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

Section 1. That the Board finds and declares:

- (a) That public convenience and necessity require that certain improvements be made to the Facilities within the KUB service territory and that KUB acquire easements within which to perform such improvements.
- (b) That for the purpose of constructing the Facilities within the KUB service territory as described herein, there shall be condemned such permanent utility and access easements and such temporary construction easements for the Project as may be determined to be necessary by the President and CEO or her designee.

Section 2. That the President and Chief Executive Officer, the Senior Vice President/Chief Engineer, 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 easements described in 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 easement properties, 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 each Board member shall be notified via email at least 10 business days before any condemnation authorized by this resolution is filed. Said notice shall include a description of the easement and an explanation of why the condemnation is required. Further, the proposed condemnation will not be filed if any Commissioner, prior to the proposed date of the condemnation, notifies the President and CEO of their desire to have the matter reviewed at the next Board meeting.

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

Celeste Herbert/s
Celeste Herbert, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 2-16-17
EFFECTIVE DATE: 2-16-17
MINUTE BOOK 37 PAGE 7944-7945

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