

**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

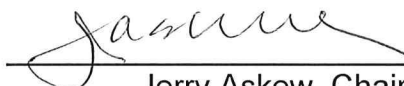
None

Adjournment

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



Mark Walker, Board Secretary



Jerry Askew, Chair

Attachments

Attachment 1	Recommendation Letter and Resolution 1447 – A Resolution Authorizing the Purchase, Sale, Transportation and Storage of Natural Gas and Repealing Resolution 1387	<u>Page(s)</u> 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



Knoxville Utilities Board

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 1st
& 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.

Jerry Askew, Chair

Mark Walker, Board Secretary

APPROVED ON 1st
READING: 11-18-21
APPROVED ON 2nd
READING: _____
EFFECTIVE DATE: _____
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