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**Board Meeting Agenda**  
**Thursday, February 20, 2014**  
**Noon**

**Call to Order**

**Roll Call**

**Approval of Minutes**

**Official Action**

Resolution 1303 - 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, 2013 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

Resolution 1304 - A Resolution Authorizing the Condemnation and the Taking of Gas Utility Easements as May Be Necessary in Support of KUB's South Loop Natural Gas Line Project

**President's Report**

**Other Business**

**Public Comments**

**Adjournment**

**RESOLUTION**

**1303**



Knoxville Utilities Board

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February 14, 2014

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 2014 are \$11,905,037. Tax equivalents for the gas system for Fiscal Year 2014 are \$5,761,856. Both electric and gas tax equivalent payments are the maximum amounts permitted 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 2014 is attached for your information.

I recommend adoption of Resolution 1303, 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, 2014.

Respectfully submitted,

A

Mintha E. Roach  
President and CEO

## Summary of FY 2014 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 2014 are \$23,417,319, representing an increase of \$862,297 or 3.8 percent over last fiscal year, as set forth below.

	FY 14	FY 13	Increase	% Increase
<b>Electric Division</b>	\$ 11,905,037	\$ 11,301,342	\$ 603,695	5.34%
<b>Gas Division</b>	\$ 5,761,856	\$ 5,735,914	\$ 25,942	.45%
<b>Water Division</b>	\$ 2,377,350	\$ 2,335,619	\$ 41,731	1.79%
<b>Wastewater Division</b>	\$ 3,373,076	\$ 3,182,147	\$ 190,929	6.00%
	\$ 23,417,319	\$ 22,555,022	\$ 862,297	3.82%

The increase in tax equivalent payments compared to last fiscal year is primarily the product of utility plant additions for all systems.

Total payments to the City of Knoxville for FY 2014 will be \$14,646,323. Total payments to Knox County will be \$8,099,383. Total payments to other taxing jurisdictions will be \$671,613.

Water and wastewater payments will be paid to the City on February 28, 2014. Electric and gas payments will be paid to the respective taxing jurisdictions on June 30, 2014.

**RESOLUTION NO. 1303****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, 2013 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 the maximum electric and gas tax equivalent payments permitted by law for the fiscal year beginning July 1, 2013, totaling \$11,905,037 for the electric system and \$5,761,856 for the gas system (hereinafter referred to as “Tax Equivalents”).

**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	\$5,887,808	\$3,008,089	\$8,895,897
Knox County	5,349,018	2,750,365	8,099,383
Union County	249,870		249,870
Sevier County	245,646		245,646
Grainger County	125,861		125,861
Jefferson County	33,359		33,359
Anderson County	6,887	2,293	9,180
Blount County	6,588		6,588
Loudon County	<u>                    </u>	<u>1,109</u>	<u>1,109</u>
Total	\$11,905,037	\$5,761,856	\$17,666,893

**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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Bruce Anderson, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
MINUTE BOOK \_\_\_\_\_ PAGE \_\_\_\_\_

## 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, 2013 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. 1303 on February 20, 2014, 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, 2013, 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, 2013, at a total of \$17,666,893, representing \$11,905,037 in electric Tax Equivalents and \$5,761,856 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	\$5,887,808	\$3,008,089	\$8,895,897
Knox County	5,349,018	2,750,365	8,099,383
Union County	249,870		249,870
Sevier County	245,646		245,646
Grainger County	125,861		125,861
Jefferson County	33,359		33,359
Anderson County	6,887	2,293	9,180
Blount County	6,588		6,588
Loudon County	<u>                    </u>	<u>1,109</u>	<u>1,109</u>
Total	\$11,905,037	\$5,761,856	\$17,666,893

**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. 1303 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.

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Mayor

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

**RESOLUTION**

**1304**



Knoxville Utilities Board

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February 14, 2014

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

Commissioners:

KUB is committed to providing high-pressure gas service to the University of Tennessee by the contractual deadline of November 2015. Staff is requesting condemnation authority to cover the needed easements for this project. While we will continue to 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 1304 provides that the Board will receive at least 10 days' notice of any proposed condemnation, and that 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 1304 and a list of property owners where easements may be necessary are enclosed for your review. As project designs are firmed up and construction methods finalized, every effort will be made to minimize the number of easements actually needed. Of those that will be required, it is expected that only a few, if any, will necessitate condemnation.

I recommend adoption of Resolution 1304.

Respectfully submitted,

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

Mintha E. Roach  
President and CEO

**RESOLUTION NO. 1304**

**A Resolution Authorizing the Condemnation and the Taking of Gas Utility Easements as May Be Necessary in Support of KUB's South Loop Natural Gas Line Project**

**Whereas**, meeting a contracted schedule with the University of Tennessee requires KUB to make natural gas system improvements entitled, "South Loop Natural Gas Line Project," by November 2015 to current and future facilities (the "Facilities"); and

**Whereas**, portions of the gas utility construction ("The Work") will be performed inside utility easement tracts located within KUB's natural gas 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 the contracted schedule with the University of Tennessee; and

**Whereas**, KUB's engineering staff, in conjunction with its engineering consultant, has identified a preliminary route for the South Loop Project ("Project"); and

**Whereas**, in the opinion of this 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 this Board finds and declares:

- (a) That public convenience and necessity require that certain improvements be made to the Facilities within the KUB natural gas 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 natural gas 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 Executive Vice President and Chief Operating Officer, and the General Council 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 detailed description of the easement and an explanation of why the condemnation is necessary. 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.

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Bruce Anderson, Chair

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Mark Walker, Board Secretary

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

**Knoxville Utilities Board  
Board Meeting  
Minutes  
Thursday, January 16, 2014, 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, January 16, 2014, pursuant to the public notice published in the January 4, 2014, edition of the *News Sentinel*. Chair Anderson called the meeting to order at 12:00 p.m.

**Roll Call**

Commissioners Present: Bruce Anderson, Joel Connell, Kathy Hamilton, Celeste Herbert, and Eston Williams

Commissioners Absent: Nikitia Thompson

**Approval of Minutes**

The Minutes of the December 19, 2013, Board Meeting were approved as distributed upon motion by Commissioner Hamilton and second by Commissioner Williams.

**Old Business**

None

**New Business**

Chair Anderson recognized Ben Pinnell and Burke Pinnell, Commissioner-elect Sara Hedstrom Pinnell's spouse and father-in-law respectively, in the audience at today's meeting and thanked them for attending.

**Oath of Office for Sara Hedstrom Pinnell**

Chair Anderson welcomed Sara Hedstrom Pinnell and asked Bill Coley, Board's General Counsel, to administer the Oath of Office to Sara Hedstrom Pinnell.

January 16, 2014

### **Election of 2014 Officers**

Mr. Coley stated that the Nominating Committee met on December 19, 2013, and recommended the following slate of officers for 2014: Bruce Anderson, Chair; Celeste Herbert, Vice Chair; and Senior Vice President and CFO Mark Walker as Board Secretary. He asked for other nominations and received none.

Commissioner Connell moved to elect the proposed slate of officers by acclamation, seconded by Commissioner Hamilton. The motion was unanimously adopted on a voice vote.

Former Commissioner J. Thomas Jones congratulated Commissioner Pinnell on her appointment to the Board. He also recognized Mintha Roach for her upcoming 10 year anniversary as President and CEO of KUB.

### **President's Report**

#### **Impact of Recent Cold Weather Event**

President Roach recognized Gabriel Bolas, Manager Electric Systems Engineering and Assistant to the COO, to provide an update on the impact of the recent cold weather event. Mr. Bolas provided details about the efforts undertaken to address the cold weather the week of January 6th. He said KUB exceeded prior peak demand records for the Electric and Gas systems. While the Electric and Gas systems were able to meet heating demands with minimal issues, Mr. Bolas explained that water main breaks became an area of focus during the event.

#### **Workforce Management Efforts**

Ms. Roach recognized Susan Edwards, Senior Vice President and CAO who addressed the Board regarding KUB's workforce management efforts. Ms. Edwards advised the Board that KUB invests in its workforce much like it invests in its utility system infrastructure. Ms. Edwards introduced two examples of KUB's investment in its workforce, the Underground Response Technician and Lineworker Apprenticeship programs. The Underground Response Technician program was presented by Tracy Hayes, Manager of Construction. The Lineworker Apprenticeship Program was presented by John Williams, Manager and Assistant to the CAO. At the conclusion of the presentations, Ms. Edwards recognized the new Lineworker Apprenticeship class of 2014 and several Underground Response Technicians who attended the Board Meeting.



January 16, 2014

**Board Ethics Disclosure**

President Roach recognized Susan Edwards, Senior Vice President and CAO, who provided an overview of the annual certification and disclosure process for the Board.

**Other Business**

None

**Adjournment**

Chair Anderson stated that following adjournment, the Board would continue with an open lunch session where KUB matters may be discussed. There being nothing further to come before the Board, Chair Anderson declared the meeting adjourned at 1:05 p.m.

The lunch session concluded at 1:45 p.m.

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Bruce Anderson, Chair

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Mark Walker, Board Secretary