Knoxville Utilities Board
Board Meeting
Minutes
Thursday, June 16, 2016, Noon

Call to Order

The Knoxville Utilities Board met in regular session in the Larry A. Fleming Board Room at 445 S. Gay Street, on Thursday, June 16, 2016, pursuant to the public notice published in the January 2, 2016, edition of the News Sentinel. Chair Thompson called the meeting to order at 12:00 p.m.

Chair Thompson welcomed TVA representatives and members of KUB’s Teenwork Program attending the Board Meeting today.

Roll Call

Commissioners Present: Jerry Askew, Kathy Hamilton, Celeste Herbert, Nikitia Thompson, and John Worden

Commissioners Absent: Sara Pinnell and Eston Williams

Approval of Minutes

The Minutes of the May 19, 2016, Board Meeting were approved as distributed upon a motion by Commissioner Askew and seconded by Commissioner Herbert.

Old Business

None

New Business

Resolution 1346, A Resolution Adopting Investment Policies of the Knoxville Utilities Board’s Pension Plan and Asset Accumulation 401(k) Plan, Thereby Replacing the Existing Investment Policies of the Pension Plan and Asset Accumulation 401(k) Plan

President Roach reminded Commissioners that KUB operates a retirement system that includes a closed pension plan and a 401(k) plan. As part of the administration of the retirement system the Board has adopted investment policies for both plans, and from time to time those policies need to be updated. She recognized Susan Edwards, Senior Vice President and CAO, to provide an overview of the proposed changes offered for consideration.
President Roach recommended adoption of Resolution 1346 on first and final reading. Her written recommendation is included in Attachment 1.

The adoption of this resolution was recommended by the Audit and Finance Committee in accordance with the Board's By-laws. No motion and second were required for this resolution. Resolution 1346 (Attachment 1) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Askew, Hamilton, Herbert, Thompson, and Worden. No Commissioner voted “nay”.


President Roach advised Commissioners that Staff periodically reviews each system’s rules and regulations to ensure clarity and consistency with current business practices. She reminded them that the Board adopted revised Gas Rules and Regulations last year and that a review of the other systems was completed recently. She recognized Chris Hood, Manager of Accounting, to provide an overview of the proposed changes to the Electric, Water and Wastewater Rules and Regulations.

President Roach recommended adoption of Resolution 1347 on first and final reading. Her written recommendation is included in Attachment 2.

Upon a motion by Commissioner Herbert and a second by Commissioner Worden, Resolution 1347 (Attachment 2) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Askew, Hamilton, Herbert, Thompson, and Worden. No Commissioner voted “nay”.

Resolution 1348, A Resolution Authorizing the Condemnation and the Taking of Electric Utility Easements as May Be Necessary in Support of KUB’s Strawberry Plains Pike 69kV Transmission Line Project

President Roach advised Commissioners that KUB is requesting condemnation authority on three parcels in the Strawberry Plains Pike area. The authority is needed to replace an existing 69kV transmission line that connects the Trentville and Ramsey substations. She recognized Paul Randolph, Vice President of Gas and Electric Systems Engineering, to provide the details of the condemnation request.
June 16, 2016

President Roach recommended adoption of Resolution 1348 on first and final reading. Her written recommendation is included in Attachment 3.

Upon a motion by Commissioner Hamilton and a second by Commissioner Herbert, Resolution 1348 (Attachment 3) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Askew, Hamilton, Herbert, Thompson, and Worden. No Commissioner voted “nay”.

President's Report

Environmental Update

President Roach reminded Commissioners that environmental stewardship is a core value of KUB and is emphasized in the KUB Blueprint. Last year, we completed a strategic initiative to re-evaluate KUB's sustainability strategy and identify new opportunities. In April, you heard about the major capital initiatives that were identified during that process. She recognized Liz Hannah, Manager of Environmental Stewardship, to provide an update on the outcome of the strategic initiative and our current Environmental Stewardship program.

TVA 2015 Top Performer Award

President Roach welcomed the TVA representatives attending the Board Meeting today. She recognized Cindy Herron, Vice President of EnergyRight and Renewable Solutions. Ms. Heron presented a Top Performer Award for 2015 for EnergyRight Programs to Chair Thompson on behalf of KUB. Ms. Roach also recognized Christy Cagle-Brooks, Program Manager for Energy Utilization and Marketing and Robbie Ansary, Customer Service Manager.

TeenWork

President Roach recognized Leslye Hartsell, Manager of Communications and Community Relations, to provide an overview of KUB's school-to-work TeenWork program. Ms. Hartsell introduced Calai Battle, Jack Derifond, Al Middlebrook, and JaNiyah Rowans from this year's class. Chair Thompson commended KUB's program and thanked the TeenWorkers for their participation in the program.

Other Business

None
June 16, 2016

Adjournment

Chair Thompson 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 Thompson declared the meeting adjourned at 12:40 p.m.

Nikitia Thompson, Chair

Mark Walker, Board Secretary
## Attachments

<table>
<thead>
<tr>
<th>Attachment</th>
<th>Description</th>
<th>Page(s)</th>
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</thead>
<tbody>
<tr>
<td>Attachment 1</td>
<td>Recommendation Letter and Resolution 1346, A Resolution Adopting Investment Policies of the Knoxville Utilities Board's Pension Plan and Asset Accumulation 401(k) Plan, Thereby Replacing the Existing Investment Policies of the Pension Plan and Asset Accumulation 401(k) Plan</td>
<td>7516 - 7568</td>
</tr>
<tr>
<td>Attachment 3</td>
<td>Recommendation Letter and Resolution 1348, A Resolution Authorizing the Condemnation and the Taking of Electric Utility Easements as May Be Necessary in Support of KUB's Strawberry Plains Pike 69kV Transmission Line Project</td>
<td>7638 - 7640</td>
</tr>
</tbody>
</table>
June 10, 2016

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

Commissioners:

As you know, KUB’s Retirement System includes both a defined benefit Pension Plan, which is closed to new entrants, and defined contribution 401(k) Plan. Each plan has its own Board approved investment policy, which governs the investment activities of the plan.

The investment policies are intended to be dynamic in nature and are updated and revised as circumstances change. In accordance with Resolution 979, as amended, which established the KUB Retirement System, the investment policies may be revised only upon approval of the Board. Both investment policies were last revised in 2013.

The Retirement System Investment Committee, in consultation with the Retirement System’s investment consultant, actuary, and benefits counsel, has recommended certain changes to the investment policies to the President and CEO. The proposed changes, which do not change benefits or increase the cost of the plans, reflect the recent transfer of the 401(k) match funds from the Pension Trust to the 401(k) Trust, and clarify investment options, objectives, and guidelines. Letters from the Retirement System investment consultant, actuary, and benefits counsel regarding the proposed changes are attached for your information.

Staff reviewed the proposed changes to the investment policies with the Board’s Audit and Finance Committee at the Committee’s meeting on March 23. The Committee adopted Resolution AF-63, which is enclosed for your information, recommending the Board adopt revised investment policies reflecting the proposed changes.

A summary of the proposed changes to each investment policy is also enclosed for your review.

Resolution 1346 has been prepared adopting revised investment policies for the Pension and 401(k) Plans. I recommend approval of Resolution 1346 on first and final reading.

Respectfully submitted,

Mintha E. Roach
President and CEO

Enclosures
RESOLUTION NO. 1346

A Resolution Adopting Investment Policies of the Knoxville Utilities Board’s Pension Plan and Asset Accumulation 401(k) Plan, Thereby Replacing the Existing Investment Policies of the Pension Plan and Asset Accumulation 401(k) Plan

Whereas, the Knoxville Utilities Board of Commissioners (the “Board”) previously adopted Resolution 979, as amended, establishing the KUB Retirement System, which includes a Pension Plan and an Asset Accumulation 401(k) Plan; and

Whereas, the Pension Plan and the Asset Accumulation 401(k) Plan each have an investment policy, approved by the Board, which governs the investment activities of each plan’s assets; and

Whereas, these investment policies are intended to be dynamic in nature and updated and revised as circumstances change; and

Whereas, through Resolution No. 979, as amended, the Board delegated certain responsibilities for the administration of the investment policies to the KUB Retirement System Investment Committee; and

Whereas, the KUB Retirement System Investment Committee, upon the advisement of the KUB Retirement System’s Investment Advisor and Counsel, has recommended certain changes to the respective investment policies to the President and CEO; and

Whereas, KUB’s Retirement System Actuary and Counsel have each reviewed the revised investment policies and determined the proposed changes to the investment policies will not have any impact on the respective Plan’s costs or liabilities; and

Whereas, the proposed changes to the investment policies have been presented to and reviewed by the Board’s Audit and Finance Committee (“Committee”); and

Whereas, the Committee finds the proposed changes to the investment policies to be appropriate and in the best interest of KUB and the Pension Plan and Asset Accumulation 401(k) Plan; and

Whereas, the adoption of revised investment policies by the Board reflecting the proposed changes has been recommended by the Committee through its adoption of Resolution AF-63; and

Whereas, the investment policies may only be revised upon approval of the Board.
Now, Therefore, Be it Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:

Section 1. That the KUB Board hereby adopts the KUB Pension Plan Investment Policy, attached hereto as Exhibit A, which shall replace and supersede any investment policy previously adopted by the Board for the KUB Pension Plan.

Section 2. That the KUB Board hereby adopts the KUB Asset Accumulation 401(k) Plan Investment Policy, attached hereto as Exhibit B, which shall replace and supersede any investment policy previously adopted by the Board for the Asset Accumulation 401(k) Plan.

Section 3. That the revised investment policies for the KUB Pension Plan and Asset Accumulation 401(k) Plan shall become effective July 1, 2016.

Nikitia Thompson/s
Nikitia Thompson, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 7-1-16
EFFECTIVE DATE: 6-16-16
MINUTE BOOK 36 PAGE 7517 - 7568
KNOXVILLE UTILITIES BOARD

PENSION PLAN

STATEMENT OF INVESTMENT POLICY

JULY 1, 2016
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I. INTRODUCTION

The Knoxville Utilities Board ("KUB") Retirement System ("Retirement System") consists of two plans: the KUB Pension Plan ("Pension Plan") and the KUB Asset Accumulation 401(k) Plan ("401(k) Plan"). The Pension Plan is closed to new entrants. Employees last hired on or before December 31, 2010, are covered by both Plans; employees last hired after December 31, 2010, are covered by the 401(k) Plan. The Plans provide retirement, death and disability benefits to participants, retirees and beneficiaries (collectively, "Participants").

Funding for the Pension Plan is primarily the responsibility of KUB, although a small number of Participants in a prior closed plan make employee contributions.

KUB is responsible for investment of Pension Plan Trust assets and this Statement of Investment Policy ("Policy") sets out its goals and objectives in that regard.

Depending on the circumstances, the Pension Plan Trust fund ("Fund") employs various forms of investment managers, including managers of separate accounts ("Separate Account Investment Managers"), managers of commingled or collective accounts or trusts, and mutual funds to manage designated portfolios consisting of investments in particular asset classes. As used in this Policy, "Investment Manager" is intended to refer to all such managers unless otherwise specified.
II. PURPOSE

The purpose of this Policy is to define the investment objectives, guidelines and performance standards for the assets of the Fund. The objectives are formulated in response to the following:

- The anticipated financial needs of KUB;
- Consideration of risk tolerance; and
- The need to document and communicate objectives, guidelines and standards to the Investment Managers.

This Policy represents the formal document for the investment of the Fund's assets and is to be communicated to the Separate Account Investment Managers for their use in developing an appropriate investment program and to the Trustee for its use in exercising its fiduciary responsibility. This Policy is also used as the basis for measurement and evaluation of investment performance of Investment Managers by the Investment Committee of the Retirement System (“Investment Committee”) and its Investment Consultant.

This Policy is intended to be dynamic in nature and will be updated and revised as circumstances change.

This Policy was last amended effective July 1, 2016, on the approval of the KUB Board of Commissioners (“Board”) based on the Investment Committee’s recommendation, with the advice of the Investment Committee’s Investment Consultant, Mercer Investment Consulting, LLC.
III. RESPONSIBILITIES

KUB is responsible for assuring that the investment program for the Fund is managed:

- Prudently and in compliance with applicable laws and regulations; and
- For the exclusive benefit of Participants.

In Resolution No. 979, as amended ("Retirement System Resolution"), the Board established the Retirement System and delegated to the Investment Committee certain responsibilities. The primary responsibilities of the Investment Committee are listed below. For a complete description of the legal responsibilities of the Investment Committee and other various parties, please refer to the Retirement System Resolution, the Pension Plan Document and Pension Plan Trust Agreement.

- Recommend to the President & CEO, for recommendation to the Board, a Policy for the Pension Plan, including investment policies, objectives, and benchmarks for the overall Fund and for each investment portfolio, and amendments to such Investment Policies from time to time;
- Implement procedures for the investment, management, supervision and control of the Fund;
- Recommend to KUB's President & CEO appointment and removal of Trustees and Investment Managers;
- Communicate the Policy to Separate Account Investment Managers;
- Monitor and evaluate investment performance. It is understood that the Investment Managers may, from time to time, fail to meet various performance benchmarks. However, the Investment Committee will endeavor to evaluate performance, in the short term, in the context of the Pension Plan’s long-term objectives;
- Recommend modification of the investment types as appropriate; and
- Recommend to the President & CEO the replacement of Investment Managers, if, at the discretion of the Investment Committee based on the advice of the Investment Consultant, the Investment Managers fail to meet performance expectations set forth in this Policy over the long-term.

The Investment Committee shall meet several times a year to review the performance of the Investment Managers and hear from its Investment Consultant and any Investment Managers invited to appear. Any changes in the Policy may be initiated by the Investment Committee upon motion of any member. Recommendations for changes
approved by the Investment Committee are transmitted to KUB’s President & CEO for presentation to the Board. Changes are effective upon approval by the Board.

The Policy is communicated to Separate Account Investment Managers in writing, and each such Separate Account Investment Manager is required to sign the statement at the end of this Policy confirming acceptance by the Separate Account Investment Manager.

To the extent a portion of the Fund is invested in a mutual fund or other commingled vehicle, such mutual fund or commingled vehicle shall be evaluated based on this Policy, although KUB recognizes that fund or vehicle is actually invested exclusively pursuant to its own investment policy and guidelines, which are reviewed by the Investment Committee upon selection.

This Policy, as recommended by the Investment Committee and approved by the Board on the recommendation of the President & CEO, establishes Standards of Measurement for each investment category within the Pension Plan. The particular benchmarks used in the Standards of Measurement are designated in the Appendix to this Policy. The Board has delegated to the President & CEO responsibility and authority to amend the Appendix of Indices or Standards of Measurement and those benchmarks from time to time based on the recommendation of the Investment Committee, which shall act upon the advice of the Investment Consultant. The President & CEO is required to report to the Audit & Finance Committee of the Board prior to adopting changes in such Appendix or benchmarks for Standards of Measurement. The President & CEO shall cause any such amended Appendix to be attached to this Policy whenever such changes are made.

**Delegation of Responsibilities**

Under the Charter of the City of Knoxville, Section 1107(j), the Retirement System is authorized to delegate certain responsibilities to qualified agents to assist it in properly meeting the overall Retirement System responsibilities as outlined above. Specifically, in the Retirement System Resolution, the Board has delegated responsibility: to the President & CEO to appoint a Trustee and Investment Managers; to the Administrative Committee of the Retirement System to select Legal Counsel and an Actuary; and to the Investment Committee to appoint an Investment Consultant.

- **Trustee** – The designated Trustee is delegated the following responsibilities:
  - Except to the extent delegated to the Investment Managers, perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock;
  - Safekeep all assets including securities, cash and cash equivalents;
• Receive instructions from Investment Managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures;

• Provide monthly transaction accounting on security holdings with reports provided to the Retirement System in a timely manner;

• To the extent requested by the Retirement System, disburse Pension Plan benefits and Retirement System expense payments and process annual tax reporting to the Internal Revenue Service, vendors, and Participants in a timely manner; and

• Provide oversight responsibility relating to the security and safekeeping of Pension Plan Trust assets normally expected of a Trustee acting in this capacity.

• **Investment Managers** – The designated Investment Managers are charged with the following responsibilities:

  • Adhere to the Investment Guidelines contained in this Policy or the investment policy for the mutual fund or commingled vehicle;

  • Exercise complete investment discretion within the boundaries of the restrictions outlined in this Policy or the investment policy for the mutual fund or commingled vehicle;

  • Strictly comply with all of the provisions of applicable law as they pertain to the Investment Manager's dealings, functions and responsibilities as fiduciaries;

  • Diversify the portfolio so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify;

  • Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;

  • As to Separate Account Investment Managers, acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary under applicable federal and state legislation, and the Investment Manager's intention to comply with this Policy as it currently exists or as it is modified in the future.
• **Investment Consultant** – It shall be the responsibility of the designated Investment Consultant to assist the Retirement System with the following functions:

  - Provide comprehensive, periodic evaluations of the investment results achieved by the designated Investment Managers in light of the investment guidelines and performance standards contained in this Policy;
  
  - Make recommendations to the Retirement System of appropriate actions to be considered which, in the Investment Consultant’s opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
    - Use of alternate asset strategies, asset allocation or asset classes;
    - Changes in overall investment policy;
    - Changes in designated Investment Managers;

  - Assist the Retirement System in monitoring, screening and selecting Investment Managers, as appropriate.

• **Legal Counsel** – The Retirement System’s designated Legal Counsel will advise and represent KUB, the Board and the Retirement System in all matters requiring legal insight and advice pertaining to the Retirement System.

• **Actuary** – The Retirement System’s designated Actuary shall have the following responsibilities:

  - Prepare, on a frequency determined by the Retirement System, a comprehensive valuation of the Pension Plan’s funded status and required contribution levels, and attest to the appropriateness of the Pension Plan’s assumptions and funding policy; and

  - Conduct special experience and actuarial studies as required by the Retirement System.
IV. INVESTMENT OBJECTIVE

The investment objective of the Fund is to ensure, over the remaining life of the Fund for this closed Pension Plan, an adequate level of assets to fund the benefits for Participants at the time they are payable. In meeting this objective, the Retirement System seeks to achieve an investment return consistent with a prudent level of risk.

The Fund’s goal will be to provide an annualized rate of return that is consistent with the Pension Plan’s actuarial rate of return assumptions as those assumptions may be adjusted from time to time for this closed Pension Plan. The Investment Committee shall periodically review current expected annual returns for the various asset classes and the Fund as a whole to determine, in consultation with the Actuary and Investment Consultant, whether overall return expectations are consistent with KUB risk and return targets and the actuarial long-term rate of return assumption for the Pension Plan, and whether the investment objectives continue to be appropriate for the Pension Plan. The asset classes utilized and their respective weights are determined with careful consideration of the Fund’s assets and liabilities. Periodic asset liability studies may be performed by the Investment Consultant, Actuary or any other qualified party and the results of such studies may be used to determine the asset classes included within the Fund and their respective weights contained herein. The current target asset structure is set out in Section V below.

Fund and portfolio performance is measured net of investment fees. As part of its performance evaluation, the Investment Committee reviews, with the assistance of the Investment Consultant, the absolute fees charged by Investment Managers as well as the relative fees of comparable managers and for the Fund as a whole.
V. ASSET STRUCTURE

The asset structure should reflect a proper balance of the Fund’s needs for liquidity, growth of assets and KUB’s risk tolerance, while taking account of the Pension Plan’s long, but limited life.

The target asset mix is as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Tactical Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large Cap</td>
<td>24.0%</td>
<td>20% - 50%</td>
</tr>
<tr>
<td>Mid Cap</td>
<td>8.0%</td>
<td>0% - 15%</td>
</tr>
<tr>
<td>Small Cap</td>
<td>8.0%</td>
<td>0% - 15%</td>
</tr>
<tr>
<td>Convertible Securities</td>
<td>7.5%</td>
<td>0% - 10%</td>
</tr>
<tr>
<td>Non-US Equity</td>
<td>15.0%</td>
<td>0% - 20%</td>
</tr>
<tr>
<td>Real Estate Equity</td>
<td>7.5%</td>
<td>0% - 10%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate Bonds</td>
<td>10.0%</td>
<td>5% - 25%</td>
</tr>
<tr>
<td>Long-term Bonds</td>
<td>20.0%</td>
<td>10% - 25%</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>0.0%</td>
<td>0% - 5%</td>
</tr>
<tr>
<td>Total Fund</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

The strategic allocation is intended to provide reasonable assurance that the Fund’s investment objective can be achieved based on historic relationships of asset class performance, using active and passive portfolio management. The Fund may include a benefit funding account to provide for monthly benefit and expense obligations. Liquidity is required from Separate Account Investment Managers only to meet defined payout needs, unless the Investment Managers are otherwise advised by the Retirement System.

The Investment Committee is charged with the responsibility of monitoring the overall allocation within the parameters described above.

It is understood that the target allocations are targets and that deviations may occur from time to time as a result of market impact or from short-term timing decisions implemented by either the Retirement System or, with prior approval, by the Investment Managers. The Investment Committee, with the advice of its Investment Consultant, shall be responsible for identifying deviations from the Policy and determining and implementing appropriate corrections when necessary. Any permanent changes to this

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1 Non-US Equity Investment Managers each have allowable tactical ranges for which they may invest a certain percentage in emerging markets. Their investments in emerging markets are purely opportunistic and therefore not included in the Total Fund’s target asset allocation.
Policy, with the exception of the Appendix of Indices, must be recommended by the Investment Committee to KUB’s President & CEO and approved by the Board.

Should a Separate Account Investment Manager deem an asset structure outside the tactical range to be appropriate, the Investment Manager may deviate from this Policy only with the written approval of the Investment Committee.

This Policy recognizes that KUB may decide to provide certain benefits (e.g., retirement annuities, death benefits or disability benefits) through insurance policies, annuity contracts, or similar financial arrangements owned by the Pension Plan or by KUB.

**Passive Investment Portfolios**

The Investment Committee is also authorized from time-to-time as it determines appropriate to direct the investment of portions of the Fund in passively-managed portfolios within the asset classes specifically allowed by this Policy. In that event, appropriate Standards of Measurement for any such passively-managed funds shall be recommended by the Investment Committee to the President & CEO for addition to the Standards of Measurement Appendix, pursuant to the procedures described in Section III above, including reporting to the Audit & Finance Committee of the Board.
VI. INVESTMENT GUIDELINES

DOMESTIC LARGE CAP EQUITY HOLDINGS

Types of Securities
This is a passive large capitalization equity strategy, which is designed to include domestic equity securities to closely track the returns and volatility of a core U.S. large cap index.

Diversification
The exposure to the securities of any one issuer should approximate the benchmark weight of the security. The account should be diversified by sector; however, the sector allocations should approximate the benchmark index. All issues must be denominated in U.S. Dollars.

Quality
The quality of securities is expected to be similar to the securities contained within the domestic large cap equity index for which the strategy is attempting to closely track. As an exception to that quality standard, the Investment Manager may hold a small amount of cash or cash equivalent instruments with maturities of less than one year and carrying a credit rating of at least A1/P1 or equivalent by a designated rating agency.

Exclusions
Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:

- naked call options;
- puts, straddles;
- margin buying, short selling
DOMESTIC MID CAP EQUITY HOLDINGS

Types of Securities
Domestic mid cap equity securities shall mean common and preferred stocks of domestic corporations and American Depositary Receipts (ADRs). Such securities will be similar, but not limited to those found within a core mid cap domestic equity index.

Diversification
The securities of any one issuer are limited to 5% at cost and 8% at market of each equity portfolio. Broad industry diversification is desirable.

Quality
Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark.

Exclusions
Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:
naked call options;
puts, straddles;
margin buying, short selling
**DOMESTIC SMALL CAP EQUITY HOLDINGS**

<table>
<thead>
<tr>
<th>Types of Securities</th>
<th>Domestic small cap equity securities shall mean common and preferred stocks of domestic corporations and American Depositary Receipts (ADRs). Such securities will be similar, but not limited to those found within a core small cap domestic equity index.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification</td>
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</tr>
</tbody>
</table>
| Exclusions          | Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:  
naked call options;  
puts, straddles;  
margin buying, short selling |
INTERNATIONAL EQUITY HOLDINGS

**Types of Securities**

International equity securities shall mean a broad range of international equity securities similar to those contained in a core all-cap non-US equity index. Investment in emerging markets is permissible, but should be limited to no more than 35% of each non-US equity Investment Manager's portfolio.

**Diversification**

The securities of any one issuer are limited to 5% at cost and 8% at market of each equity portfolio. Both broad industry and country diversification are desirable.

**Quality**

Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark.

**Exclusions**

Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:

- naked call options;
- puts, straddles;
- margin buying, short selling
CONVERTIBLE SECURITY HOLDINGS

Types of Securities
Convertible securities shall mean: debt instruments convertible into common and preferred stocks; and preferred stocks. Such securities will be similar, but not limited to those found within a core convertible security index.

Diversification
The securities of any one issuer are limited to 5% at cost and 8% at market of each equity portfolio. Broad industry diversification is desirable.

Quality
Only convertible securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. Due to the nature of this asset class, a certain portion of this portfolio is invested in below investment grade issues. Therefore, no more than 50% of the portfolio should be invested in securities rated below investment grade by a designated rating agency; for securities that are not rated, the Investment Manager shall maintain a rating system consistently applied to provide equivalent quality controls.

Exclusions
Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:

- naked call options;
- puts, straddles;
- margin buying, short selling
REAL ESTATE EQUITY

Types of Securities
This is a passive REIT equity strategy, which is designed to include REIT securities to closely track the returns and volatility of a designated Real Estate Investment Trust (REIT) index. Such securities will be similar, but not limited to those found within a core REIT index. Both domestic and global REIT markets may be covered by the core REIT index.

Diversification
The exposure to the securities of any one issuer should approximate the benchmark weight of the security. The account should be diversified by sector; however, the sector allocations should approximate the benchmark index.

Quality
The quality of securities is expected to be similar to the securities contained within the designated REIT index for which the strategy is attempting to closely track. As an exception to that quality standard, the Investment Manager may hold a small amount of cash or cash equivalent instruments with maturities of less than one year and carrying a credit rating of at least A1/P1 or equivalent by a designated rating agency.

Exclusions
Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:

- naked call options;
- puts, straddles;
- margin buying, short selling
**FIXED INCOME HOLDINGS**

**Types of Securities**
Debt instruments of any entity denominated in U.S. dollars, and not otherwise prohibited, including U.S. dollar denominated sovereign and supranational bonds (Yankee bonds). Treasury Inflation Protection Securities (TIPS) may also be held as a portion of the bond allocation.

**Diversification**
The securities of any one issuer, with the exception of the U.S. Government and its agencies, are limited to 10% at cost and 15% at market of each fixed income portfolio.

**Quality**
The portfolio should be, on average, comprised of high-quality issues. Securities should have a quality rating of investment grade by two or more designated rating agencies or, in the purchase of private placements not subject to such ratings, a rating by a qualified banking institution on an equal basis with a designated rating agency’s investment grade ratings or higher. Securities downgraded below investment grade by at least one rating agency should be liquidated by the Investment Manager within a reasonable amount of time, with notice to the Investment Committee through the Investment Consultant.

**Other**
While there are no maturity limits placed on the portfolio, it is expected that the duration of the fixed income portfolio will be maintained within +/- 10% of the duration of the target index.

**Exclusions**
Without the express written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:

- margin buying, short selling;
- options
# CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Types of Securities</th>
<th>Debt securities of any U.S. entity not otherwise prohibited, with maturities of not more than 13 months, through a short-term investment fund.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification</td>
<td>No more than 10% of the cash portfolio shall be invested in Certificates of Deposit or Banker’s Acceptances issued by any single bank. No more than 35% of the cash portfolio shall be invested in commercial paper, with no more than 5% of the portfolio invested with any single issuer of commercial paper.</td>
</tr>
<tr>
<td>Quality</td>
<td>Only cash equivalents with the following minimum quality ratings from designated rating agencies are eligible for inclusion in the portfolio:</td>
</tr>
<tr>
<td></td>
<td>Commercial Paper: A1/P1 or equivalent</td>
</tr>
<tr>
<td></td>
<td>Certificates of Deposit and Banker’s Acceptances: AA- to Aa3.</td>
</tr>
<tr>
<td></td>
<td>Repurchase Agreements: U.S. Government or agency secured.</td>
</tr>
<tr>
<td>Pooled or Commingled Funds</td>
<td>The Investment Managers are encouraged to use commingled investment vehicles when it is advantageous to do so. It shall be the responsibility of the Trustee to make available for use by the Investment Managers pooled or commingled funds, which comply with these guidelines. With the exception of direct obligations of the U.S. Government or its agencies, no individual security position in any commingled fund shall constitute greater than 5% of the commingled fund’s assets.</td>
</tr>
</tbody>
</table>
VII. STANDARDS OF MEASUREMENT

Standards used to measure investment performance will be set forth in context with the established objectives. Each standard shall apply independently to the portfolio of each Investment Manager and, except in the case of passive management, is expected to be achieved net of investment management fees and expenses.

PASSIVE MANAGER STANDARDS

Measurement #1

On quarterly and annual bases, the index fund should closely track performance and volatility of the designated index.

DOMESTIC MID AND SMALL CAP EQUITY MANAGER STANDARDS

Measurement #1

Over rolling three-year periods, the performance of the mid and small cap equity portfolios should exceed the median of a universe of comparable equity funds.

Measurement #2

Over rolling five-year periods, the annualized performance of the mid and small cap equity portfolios, net of fees, should exceed the return of the appropriate benchmark.

Measurement #3

Over rolling five-year periods, the annualized standard deviation of the mid and small cap equity portfolios' quarterly rate of return shall be no greater than 150% of the appropriate index.

INTERNATIONAL EQUITY MANAGER STANDARDS

Measurement #1

Over rolling three-year periods, the performance of the international equity portfolios should exceed the median of a universe of comparable international equity funds.

Measurement #2

Over rolling five-year periods, the annualized performance of the international equity portfolios, net of fees, should exceed the return of the appropriate benchmark.
Measurement #3

Over rolling five-year periods, the annualized standard deviation of the international equity portfolios' quarterly rate of return shall be no greater than 150% of the appropriate index.

**FIXED INCOME MANAGER STANDARDS**

Measurement #1

Over rolling three-year periods, the performance of the fixed-income portfolios should exceed the median of the universe of comparable fixed income funds.

Measurement #2

Over rolling five-year periods, the annualized performance of the fixed income portfolios, net of fees, should exceed the return of the appropriate benchmark.

Measurement #3

Over rolling five-year periods, the annualized standard deviation of the fixed income portfolios' quarterly rate of return shall be no greater than 150% of the appropriate index.

**CONVERTIBLE SECURITIES MANAGER STANDARDS**

Measurement #1

Over rolling three-year periods, the performance of the convertible security portfolio should exceed the median of a universe of comparable convertible security funds.

Measurement #2

Over rolling five-year periods, the annualized performance of the convertible security portfolio, net of fees, should exceed the return of the appropriate benchmark.

Measurement #3

Over rolling five-year periods, the annualized standard deviation of the convertible security portfolio's quarterly rate of return shall be no greater than 150% of the appropriate index.
VIII. INVESTMENT ADMINISTRATION

Documentation

The Separate Account Investment Managers are required to submit a written statement to the Investment Committee describing their proposed investment strategy and tactics for achieving the investment goals and objectives of this Policy. They should also submit suggested revisions to this Policy whenever their strategy or tactics change significantly as a result of changing market conditions or other factors.

Detailed financial statements are to be supplied monthly by the Investment Managers.

Annual Review Meeting

Each Investment Manager will be expected to meet at least annually with the staff and Investment Consultant and/or members of the Investment Committee. The agenda for these meetings shall include, but not be limited to:

1. A presentation of investment results in light of the objectives of this Policy.

2. A discussion of investment strategies currently being executed by the Investment Manager.

3. Communication of material changes in the policy, objectives, staffing or business condition of the Investment Manager.
Acceptance Agreement

The undersigned Separate Account Investment Manager hereby acknowledges its appointment as a named fiduciary in accordance with the Advisory Agreement between the Investment Manager and KUB and agrees that this Statement of Investment Policy (revised effective July 1, 2016) shall be incorporated as a part of the Investment Manager’s Advisory Agreement with KUB and shall be substituted for any previous Statement of Investment Policy agreed to by KUB and the Investment Manager.

If at any time the Investment Manager believes that the objectives and guidelines contained in this Statement of Investment Policy cannot be met or performed in strict compliance with the Statement, the Investment Manager agrees to promptly notify the Chair of the Investment Committee in writing. In consideration of the Investment Manager’s initial engagement by KUB and the Investment Manager’s ongoing relationship as an Investment Manager for KUB Retirement System, the Investment Manager hereby acknowledges a complete understanding of these objectives and guidelines and agrees to abide by each of said requirements during the course of the Investment Manager’s engagement.

SEPARATE ACCOUNT
INVESTMENT MANAGER:

Dated: ____________________

Name ____________________

By: ______________________

Its: ______________________
### IX. Appendix of Indices for Standards of Measurement - July 1, 2016

**KUB Pension Plan - Investment Policy - Summary of Performance Measures**

<table>
<thead>
<tr>
<th>Portfolio Name / Current Investment Manager</th>
<th>Purpose</th>
<th>Investments</th>
<th>Measurement 1 - Rolling Return</th>
<th>Measurement 2 - Rolling Return</th>
<th>Measurement 3 - Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Income</strong></td>
<td></td>
<td></td>
<td><em>Rolling 3 Year</em></td>
<td><em>Median</em></td>
<td><em>Rolling 5 Year</em></td>
</tr>
<tr>
<td>Agincourt</td>
<td>Current income</td>
<td>US government &amp; corporate bonds, mortgages</td>
<td>Mercer US Fixed Core Manager Universe</td>
<td>Barclays Capital Aggregate Index</td>
<td>Barclays Capital Aggregate Index</td>
</tr>
<tr>
<td>Schroder</td>
<td>Current income &amp; capital appreciation</td>
<td>Long term government &amp; corporate bonds</td>
<td>Mercer US Fixed Long Duration Manager Universe</td>
<td>Barclays Capital Long Government Credit Index</td>
<td>Barclays Capital Long Government Credit Index</td>
</tr>
<tr>
<td><strong>Convertibles</strong></td>
<td></td>
<td></td>
<td><em>Rolling 3 Year</em></td>
<td><em>Median</em></td>
<td><em>Rolling 5 Year</em></td>
</tr>
<tr>
<td>Shenkman</td>
<td>Current income &amp; capital appreciation</td>
<td>Convertible corporate securities</td>
<td>Mercer US Convertible Manager Universe</td>
<td>BAML All US Convertible Ex Mandatory Index (V0A0)</td>
<td>BAML All US Convertible Ex Mandatory Index (V0A0)</td>
</tr>
<tr>
<td><strong>Large Cap Equity</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>On quarterly and annual bases, index should closely track performance and volatility of designated index</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mid and Small Cap Equity</strong></td>
<td></td>
<td></td>
<td><em>Rolling 3 Year</em></td>
<td><em>Median</em></td>
<td><em>Rolling 5 Year</em></td>
</tr>
<tr>
<td>Wellington Management</td>
<td>Capital Appreciation</td>
<td>Mid Cap stocks</td>
<td>Mercer US Mid Cap Core Equity Universe</td>
<td>S&amp;P 400 Mid Cap Index</td>
<td>S&amp;P 400 Mid Cap Index</td>
</tr>
<tr>
<td><strong>Real Estate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1. On rolling three-year periods, the performance of the portfolio should exceed the median of the stated universe.
2. On rolling five-year periods, the annualized performance of the portfolio, net of fees, should exceed the return of the stated index.
3. On rolling five-year periods, the annualized standard deviation of the portfolio’s quarterly rate of return should not exceed that of the stated index times the stated percentage.
<table>
<thead>
<tr>
<th>Portfolio Name / Current Investment Manager</th>
<th>Purpose</th>
<th>Investments</th>
<th>Measurement 1 – Rolling Return</th>
<th>Measurement 2 – Rolling Return</th>
<th>Measurement 3 – Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>REIT Index</td>
<td>On quarterly and annual bases, index should closely track performance and volatility of designated index</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Equities</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>MFS</td>
<td>Capital Appreciation</td>
<td>Non - US developed stocks</td>
<td>Mercer World ex US/EAFE Equity Universe</td>
<td>MSCI EAFE Value Index</td>
<td>MSCI EAFE Value Index</td>
</tr>
<tr>
<td>Artisan</td>
<td>Capital Appreciation</td>
<td>Non - US developed stocks</td>
<td>Mercer World ex US/EAFE Equity Universe</td>
<td>MSCI EAFE Growth Index</td>
<td>MSCI EAFE Growth Index</td>
</tr>
</tbody>
</table>
KNOXVILLE UTILITIES BOARD

ASSET ACCUMULATION
401(k) PLAN

STATEMENT OF INVESTMENT POLICY

JULY 1, 2016
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I. INTRODUCTION

The Knoxville Utilities Board ("KUB") Retirement System consists of two plans: the KUB Pension Plan ("Pension Plan") and the KUB Asset Accumulation 401(k) Plan ("401(k) Plan"). The Pension Plan is closed to new entrants. Employees last hired on or before December 31, 2010, are covered by both Plans; employees last hired after December 31, 2010, are covered by the 401(k) Plan. The Plans provide retirement, death and disability benefits to participants, retirees and beneficiaries (collectively, "Participants").

The 401(k) Plan is funded by Participants who elect to contribute. KUB also contributes to the 401(k) Plan on behalf of Participants. KUB takes responsibility for providing a broad range of mutual funds and similar investment options, including mutual funds and commingled or collective accounts or trusts, (all of which are referred to individually or collectively as, "Fund," or "Funds"). Participants may direct the investment of their individual 401(k) Plan Accounts among the available choices. This Statement of Investment Policy ("Policy") sets out the goals and objectives for those investment options and provides for the designation of the default investment, in cases where a Participant does not otherwise direct the investment of any Account balance.
II. PURPOSE

Under the 401(k) Plan, Participants are able to structure a personal investment program from the Funds offered. KUB intends to provide a range of diverse investment choices to accommodate the individual needs and risk tolerances of Participants. KUB has developed this Policy to fulfill its fiduciary obligation, to provide a basis for selecting the Funds to be made available, and to establish expectations for the investment performance of those Funds to assure Participants will have access to sound investment alternatives on a continuing basis and to document the benchmarks against which individual Funds will be measured.

This Policy:

- Provides written documentation of KUB’s expectations regarding the Funds offered under the 401(k) Plan.
- Establishes objectives and guidelines for the Funds available.
- Outlines criteria and procedures for the ongoing evaluation of the Funds, and the total investment program.

This Policy is intended to be dynamic in nature and will be updated and revised as circumstances change.

This Policy was last amended effective July 1, 2016, on the approval of the KUB Board of Commissioners ("Board") based on the recommendation of the Investment Committee of the Retirement System ("Investment Committee"), with the advice of its Investment Consultant, Mercer Investment Consulting, LLC.
III. RESPONSIBILITIES

KUB is responsible for assuring that the investment program for the 401(k) Plan and each investment option is managed:

- Prudently and in compliance with applicable laws and regulations; and
- For the exclusive benefit of Participants.

In Resolution No. 979, as amended ("Retirement System Resolution"), the Board established the Retirement System and delegated to the Investment Committee certain responsibilities. The primary responsibilities of the Investment Committee are listed below. For a complete description of the legal responsibilities of the Investment Committee and other various parties, please refer to the Retirement System Resolution, the 401(k) Plan Document and 401(k) Plan Trust Agreement.

- Recommend to the President & CEO, for recommendation to the Board, a Policy for the 401(k) Plan, including investment policies, objectives and benchmarks for each investment option, and amendments to the Policy from time to time;

- Monitor and evaluate investment performance. It is understood that the Funds may, from time-to-time, fail to meet various performance benchmarks. However, the Investment Committee will endeavor to evaluate performance, in the short-term, in the context of the 401(k) Plan's long-term objectives;

- Recommend modification of the investment options, as appropriate;

- Recommend to the President & CEO the replacement of Funds, if, at the discretion of the Investment Committee based on the advice of the Investment Consultant, such Funds fail to meet performance expectations set forth in this Policy over the long-term;

- Implement procedures for the investment, management, supervision and control of 401(k) Plan Funds;

- Recommend to KUB's President & CEO appointment and removal of Trustees and Funds; and

- Upon the advice of the Investment Consultant, recommend to the President & CEO for approval, as part of this Policy's attached Appendix of Indices for Standards of Measurement and Designation of Default Investment ("Appendix"), the default investment for use in cases where a Participant does not otherwise direct the investment of any 401(k) Plan Account balance; provided that the President & CEO is required to report to the Audit & Finance Committee of the Board prior to approving any such default investment.
The Investment Committee shall meet several times a year to review the performance of the Funds and hear from its Investment Consultant. Any changes in the Investment Policy may be initiated by the Investment Committee upon motion of any member. Recommendations for changes approved by the Investment Committee are transmitted to KUB’s President & CEO for presentation to the Board. Changes are effective upon approval by the Board.

This Policy, as recommended by the Investment Committee and approved by the Board on the recommendation of the President & CEO, establishes Standards of Measurement for each investment category within the 401(k) Plan. The particular benchmarks used in the Standards of Measurement are designated in the Appendix. The Board has delegated to the President & CEO responsibility and authority to amend the Appendix and those benchmarks from time-to-time based on the recommendation of the Investment Committee, which shall act upon the advice of the Investment Consultant. The President & CEO is required to report to the Audit & Finance Committee of the Board prior to adopting any such changes in the Appendix or benchmarks for Standards of Measurement. The President & CEO shall cause any such amended Appendix to be attached to this Policy whenever such changes are made.

**Delegation of Responsibilities**

Under the Charter of the City of Knoxville, Section 1107(j), the Retirement System is authorized to delegate certain responsibilities to qualified agents to assist it in properly meeting the overall Retirement System responsibilities as outlined above. Specifically, in the Retirement System Resolution, the Board has delegated responsibility to the President & CEO to appoint a Trustee and select Funds; to the Administrative Committee of the Retirement System to select Legal Counsel and an Actuary; and to the Investment Committee to appoint an Investment Consultant.

- **Trustee** - The designated non-discretionary Trustee is delegated the following responsibilities:
  
  - Except to the extent the Funds are responsible for such action, perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock;
  
  - Safekeep all assets including securities, cash and cash equivalents;
  
  - Provide monthly transaction accounting on security holdings with reports provided to the Retirement System in a timely manner;
  
  - Unless and until assumed by the Retirement System or the third party administrator, process annual tax reporting to the Internal Revenue Service and to retirees and beneficiaries in a timely manner; and
  
  - Provide oversight responsibility relating to the security and safekeeping of 401(k) Plan Trust assets normally expected of a Trustee acting in this capacity.
- **Funds** – The designated Fund Managers shall undertake the following responsibilities in accordance with applicable law and the Fund prospectus:
  
  - Exercise complete investment discretion for investments in their Funds;
  - Strictly comply with all of the provisions of applicable law as they pertain to dealings, functions and responsibilities as Funds;
  - Diversify the Fund so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify; and
  - Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims.

- **Investment Consultant** – It shall be the responsibility of the designated Investment Consultant to assist the Retirement System with the following functions:
  
  - Provide comprehensive, periodic evaluations of the investment results achieved by the designated Funds in light of the investment guidelines and performance standards contained in this Policy;
  - Make recommendations to the Retirement System of appropriate actions to be considered which, in the Investment Consultant’s opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
    - Use of alternate assets strategies or asset classes;
    - Changes in overall investment policy; and
    - Changes in designated Funds.
  - Assist the Retirement System in monitoring, screening and selecting Funds as appropriate.

- **Legal Counsel** – The Retirement System’s designated Legal Counsel will advise and represent KUB, the Board and the Retirement System in all matters requiring legal insight and advice pertaining to the Retirement System.

- **Actuary** – The Retirement System’s designated Actuary shall have the following responsibilities:
  
  - Conduct special experience and actuarial studies as required by the Retirement System.
IV. INVESTMENT OPTION STRUCTURE

**Investment Options**

Investment options offered to Participants through the 401(k) Plan consist of the following four tiers that may be used in Participant-directed combinations to diversify their investments: (i) a selection of lifecycle Funds covering the spectrum of expected retirement ages, (ii) a choice of index Funds across a range of major asset classes, (iii) a wide variety of selected actively managed Funds in a number of asset classes, and (iv) a self-directed brokerage option. Using a single tier or two or more tiers allows each Participant to select the level of involvement he or she wishes to have in the investment management process, and to have some control over the cost he or she is willing to bear.

To achieve diversity in the investment options offered, technical criteria have been defined to establish material differences between and among potential investment options within the various tiers (see Performance Standards, under description of each Fund). The Investment Committee also analyzed prospective investment options in terms of their potential attractiveness to Participants, given their demographic characteristics. Consideration was given to the number of options within each tier, and the need to offer clear choices, but also to provide a broad spectrum of risk and reward investment profiles, asset classes and management styles, as well as investment options of varying levels of cost.

On the basis of those considerations, the following investment structure is currently considered appropriate:

- **Lifecycle Tier**
  - A selection of Funds with target dates commensurate with the spectrum of expected retirement ages of KUB employees, which may be extended to add additional target dates from time-to-time.

- **Index Tier**
  - Core Fixed Income Index Fund
  - Large Cap Equity Index Fund
  - Small & Mid Cap Equity Index Fund
  - International Equity Index Fund

- **Active Management Tier**
  - Stable Value Fund
  - Core Fixed Income Fund
  - Balanced Fund
  - Large Cap Value Equity Fund
  - Large Cap Growth Equity Fund
  - Small Cap Value Equity Fund
  - Small Cap Growth Equity Fund
  - International Equity Fund
- Specialty Tier
  - Self-Directed Brokerage

**Additional Passive Investment Options**

The Investment Committee is also authorized from time-to-time as it determines appropriate to expand the list of available passively managed Funds in the Index Tier to include other broad domestic or international fixed income or equity market categories as the Investment Committee may determine desirable. In that event, appropriate Standards of Measurement for any such passively managed Funds shall be recommended by the Investment Committee to the President & CEO and reported to the Audit & Finance Committee of the Board for addition to the Appendix, pursuant to the procedures described in Section III above.

**Self-Directed Brokerage Option**

In an effort to provide Participants with maximum investment flexibility, under rules, evaluation criteria, and procedures to be developed and modified from time-to-time by the Investment Committee, a self-directed brokerage option may be offered in the 401(k) Plan, allowing Participants to invest in a broad range of publicly traded Funds, but excluding single security investments, short sales, options, futures, limited partnerships, currency trading, and trading on margin. The Investment Committee may: set limits on the portion of a Participant’s account balance that may be invested through the Self-Directed Brokerage Option; fix conditions for participation in this Option; and determine the availability of the Self-Directed Brokerage Option. Participants who elect to use the self-directed brokerage option are allocated all costs associated with this option.

**Review Procedures**

Fund performance is measured net of investment fees. The Investment Committee evaluates investment fees at the time of manager selection, and periodically, both as to the Fund’s absolute fees as well as compared to other managers in the appropriate universe, and in relation to the investment services provided.

Performance will be reviewed at least annually based on the Standards of Measurement defined below.

**Standards of Measurement**

To serve as the basis for evaluation, each Fund’s performance, net of investment management fees and transaction costs, will be evaluated against the applicable Standards of Measurement set out in the Appendix, as amended from time-to-time. From time-to-time, the Fund may not achieve one or more of these Standards of Measurement but will be expected to achieve them over the long-term.
V. LIFECYCLE TIER

Purpose

These Funds are primarily offered for Participants who wish to have their asset allocation decisions set by a Fund that uses passive "through retirement" glide paths for varying retirement dates. Participants typically choose the Fund within the Lifecycle program that is closest to their targeted retirement date. Each Fund's asset allocation is determined by the Fund Manager's proprietary model. The mixes of the Funds are dynamic and change over time. The risk level for each Fund will vary from moderate to very high and is a function of the number of years remaining until expected retirement.

Objective

The objective of the Lifecycle Funds is to achieve capital appreciation while the time horizon of the investment is relatively long, and gradually shift to an objective of income and capital preservation as the Participant nears expected retirement.

The Lifecycle Funds will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by a portfolio similarly weighted to an appropriate composite benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Lifecycle Funds:

- Investment in a diversified portfolio of securities including, but not limited to, domestic and international equities and fixed income securities and/or funds.
- Lifecycle Funds may contain a combination of equity or equity alternative securities (American Depositary Receipts ("ADRs"), issues convertible into common stock, etc.), fixed income securities and cash equivalents.
- No specific constraints as to market capitalization, earnings cash flow record or credit quality is expected, but the overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective.
- A Lifecycle Fund may be made up of underlying funds of appropriate investment or asset categories.
VI. INDEX TIER

A. CORE FIXED INCOME INDEX FUND

**Purpose**

The primary purpose of the Core Fixed Income Index Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide current income and capital preservation. This Fund, over the long-term, is expected to offer Participants positive inflation-adjusted returns in most economic environments.

**Objective**

The objective is expected to be accomplished by investing in the fixed income securities contained in an appropriate, widely-recognized and reported index of fixed income aggregate domestically-traded securities.

The Core Fixed Income Index Fund will attempt to meet the following Participant expectations:

- A level of current income with returns comparable to those achieved by an appropriate aggregate bond benchmark;

- Risk levels appropriate to the investment class and style of investment; and

- Liquidity in accordance with 401(k) Plan provisions.

**Guidelines for Evaluation**

These general operating guidelines have been adopted for the Core Fixed Income Index Fund

- Investment in a diversified portfolio comprised primarily of securities contained within the designated fixed income aggregate index.
B. LARGE CAP EQUITY INDEX FUND

Purpose

The primary purpose of the Large Cap Equity Index Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long-term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.

Objective

The objective is expected to be accomplished by investing in the large capitalization stocks contained in an appropriate, widely-recognized and reported index of large capitalization equity domestically-traded securities. Some other securities may be utilized in small amounts to facilitate cash flow management within the Fund.

The Large Cap Equity Index Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by the designated large cap equity index;

- Risk levels appropriate to the investment class and style of investment; and

- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Large Cap Equity Index Fund

- Investment in a diversified equity portfolio comprised primarily of stocks contained within the designated large cap equity index.
C. SMALL & MID CAP EQUITY INDEX FUND

Purpose

The primary purpose of the Small & Mid Cap Equity Index Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long-term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.

Objective

The objective is expected to be accomplished by investing in the small- and mid-capitalization securities contained in an appropriate, widely recognized and reported index of small- and mid-capitalization equity domestically-traded securities. Some other securities may be utilized in small amounts to facilitate cash flow management within the Fund.

The Small & Mid Cap Equity Index Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by the designated small- and mid-cap index;

- Risk levels appropriate to the investment class and style of investment; and

- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Small & Mid Cap Equity Index Fund:

- Investment in a diversified equity portfolio comprised primarily of stocks contained within the designated small- and mid-cap index.
D. INTERNATIONAL EQUITY INDEX FUND

Purpose

The primary purpose of the International Equity Index Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long-term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.

Objective

The objective is expected to be accomplished by investing in the stocks contained in the appropriate, widely-recognized and reported index of international equity securities. Some other securities may be utilized in small amounts to facilitate cash flow management within the Fund.

The International Equity Index Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by the designated international index;

- Risk levels appropriate to the investment class and style of investment; and

- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the International Equity Index Fund:

- Investment in a diversified equity portfolio comprised primarily of stocks contained within the designated international index.
VII. ACTIVE MANAGEMENT TIER

A. STABLE VALUE FUND

Purpose

The primary purpose of the Stable Value Fund is to afford Participants the opportunity to preserve capital in the short- and long-term while maintaining consistency of returns. This Fund, over the long-term, is expected to meet or exceed inflation in most economic environments.

Objectives

The objective of the Stable Value Fund is to achieve a maximum yield with limited or no volatility in the value of the underlying assets, as well as to provide maximum flexibility given the contractual nature of certain fixed-income investments held in the Fund.

The Stable Value Fund will attempt to meet the following Participant expectations:

- Safety of principal;
- A rate of return providing a premium above short-term interest rates;
- Liquidity in accordance with 401(k) Plan provisions; and
- Responsiveness to changing interest rate environments.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Stable Value Fund.

Appropriate Investments within the Fund:

- Investment contracts (guaranteed investment contracts ("GICs") and bank investment contracts ("BICs")) issued by insurance companies and banks as unsecured general obligations.
- GIC separate account and synthetic GIC contracts issued by banks, insurance companies, and other financial institutions that provide for direct-ownership of, or an enhanced claim on, the underlying securities supporting the contracts' liabilities.
- Money market/short-term instruments.
B. CORE FIXED INCOME FUND

Purpose

The primary purpose of the Core Fixed Income Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide current income and capital preservation. This Fund, over the long-term, is expected to offer Participants positive inflation-adjusted returns in most economic environments.

Objective

The objective is expected to be accomplished by investing in fixed income securities similar to those contained in an appropriate, widely-recognized and reported index of fixed income aggregate domestically-traded securities.

The Core Fixed Income Fund will attempt to meet the following Participant expectations:

- A level of current income with returns comparable to those achieved by an appropriate aggregate bond benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Core Fixed Income Fund:

- Investment in a diversified, high-quality fixed income portfolio.
- High-quality fixed-income shall mean U.S. Government and agency securities as well as corporate bonds, mortgage-backed securities, asset-backed securities and collateralized mortgage obligations ("CMOs"). The fund manager may make use of other sectors including High Yield and Emerging Market debt to increase diversification and enhance returns opportunistically.
- The overall Fund structure should be consistent with the return and risk parameters as outlined in the Fund objective.
C. BALANCED FUND

Purpose

The primary purpose of the Balanced Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide a balance between capital appreciation and current income. This alternative is expected to provide Participants with a professionally managed blend of equity and fixed income securities.

Objective

The objective of the Balanced Fund is to achieve capital appreciation over the long-term while maintaining a level of income that will limit volatility in the short-term.

The Balanced Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by a portfolio weighted 60% to an appropriate large cap benchmark and 40% to an appropriate aggregate bond benchmark;

- Risk levels appropriate to the investment class and style of investment; and

- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Balanced Fund:

- Investment in a high-quality, diversified portfolio of securities generally balanced as to equities and fixed income securities.

- Balanced portfolios shall mean portfolios containing a combination of equity (domestic and international) or equity alternative securities (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), fixed income securities and cash equivalents.

- The overall portfolio structure is expected to be consistent with the return and risk parameters as outlined in the Fund objective.
D. LARGE CAP VALUE EQUITY FUND

Purpose

The primary purpose of the Large Cap Value Equity Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long-term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.

Objective

The objective is expected to be accomplished by investing in stocks of domestically-traded companies with relatively high market capitalizations that are expected to experience price appreciation through improving valuations.

The Large Cap Value Equity Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by an appropriate large cap value benchmark;

- Risk levels appropriate to the investment class and style of investment; and

- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Large Cap Value Equity Fund

- Investment in a diversified equity-oriented portfolio.

- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.

- The overall Fund structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the largest 1,000 stocks in the U.S. Markets.
E. LARGE CAP GROWTH EQUITY FUND

Purpose

The primary purpose of the Large Cap Growth Equity Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long-term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.

Objective

The objective is expected to be accomplished by investing in domestically-traded companies with relatively high market capitalizations that are expected to experience price appreciation through earnings growth.

The Large Cap Growth Equity Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by an appropriate large cap growth benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Large Cap Growth Equity Fund:

- Investment in a diversified equity-oriented portfolio.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts ("ADRs"), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall Fund structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the largest 1,000 stocks in the U.S. markets.
F. SMALL CAP VALUE EQUITY FUND

Purpose

The primary purpose of the Small Cap Value Equity Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long-term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for high levels of volatility in the short-term.

Objective

The objective is expected to be accomplished by investing in domestically-traded companies with small- to mid-sized market capitalization that are expected to experience price appreciation through improving valuations.

The Small Cap Value Equity Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by an appropriate mid- and small-cap value benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Small Cap Value Equity Fund:

- Investment in a diversified equity-oriented portfolio.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts ("ADRs"), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the lower 2,000 of the 3,000 largest capitalization stocks in the U.S. markets.
G. SMALL CAP GROWTH EQUITY FUND

Purpose

The primary purpose of the Small Cap Growth Equity Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long-term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for high levels of volatility in the short-term.

Objective for Evaluation

The objective is expected to be accomplished by investing in domestically-traded companies with small- to mid-sized market capitalizations that are expected to experience price appreciation through improving earnings.

The Small Cap Growth Equity Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by an appropriate mid- and small-cap growth benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines

These general operating guidelines have been adopted for the Small Cap Growth Equity Fund:

- Investment in a diversified equity-oriented portfolio.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the lower 2,000 of the 3,000 largest capitalization stocks in the U.S. markets.
H. INTERNATIONAL EQUITY FUND

Purpose

The primary purpose of the International Equity Fund is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long-term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.

Objective

The objective is expected to be accomplished by investing in stocks comparable to those contained in the appropriate, widely-recognized and reported index of international equity securities. Some other securities may be utilized in small amounts to facilitate cash flow management within the Fund.

The International Equity Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by an appropriate international equity benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the International Equity Fund:

- Investment in a diversified equity-oriented portfolio of stocks domiciled outside of the United States.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective.
### VIII. APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT AND DESIGNATION OF DEFAULT INVESTMENT

**KUB 401(k) PLAN – INVESTMENT POLICY – SUMMARY OF PERFORMANCE MEASURES – JULY 1, 2016**

**LIFECYCLE TIER**

<table>
<thead>
<tr>
<th>Asset Class/Current Fund Name</th>
<th>Purpose</th>
<th>Investments</th>
<th>Measurement 1 – Fund’s Return on a Rolling 3 Year basis:</th>
<th>Measurement 2 – Fund’s Return on a Rolling 5 Year basis:</th>
<th>Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifecycle Funds/SSgA Target Retirement</td>
<td>Current Income &amp; Capital Appreciation</td>
<td>Combined Equity, Fixed Income &amp; Cash Equivalent</td>
<td>On quarterly and annual bases, Lifecycle Funds should equal or exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by Mercer Investment Consulting</td>
<td>On quarterly and annual bases, Lifecycle Funds should equal or exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by Mercer Investment Consulting</td>
<td>Should not exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by Mercer Investment Consulting</td>
</tr>
</tbody>
</table>

**DESIGNATION OF DEFAULT INVESTMENT**

The Lifecycle Funds are hereby designated as the default investment in those cases where a Participant does not otherwise effectively direct the investment of any 401(k) Plan Account balance. The particular Lifecycle Fund, from among those offered under the 401(k) Plan, that has a target date closest to any individual Participant’s 65th birthday shall be treated as the default investment for that Participant.

**INDEX FUND TIER**

<table>
<thead>
<tr>
<th>Asset Class/Current Fund Name</th>
<th>Purpose</th>
<th>Investments</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Fixed Income Index Fund/Vanguard Total Bond Market Index</td>
<td>Current Income &amp; Capital Preservation</td>
<td>U.S. Govt. &amp; Corp. Bonds Average A Grade</td>
<td>On quarterly and annual bases, Fund should closely track performance and volatility of Barclays Capital Aggregate Index</td>
</tr>
<tr>
<td>Large Cap Equity Index Fund/Fidelity Spartan 500</td>
<td>Capital Appreciation</td>
<td>S&amp;P 500 Stocks</td>
<td>On quarterly and annual bases, Fund should closely track performance and volatility of S&amp;P 500 Index</td>
</tr>
</tbody>
</table>

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1. On rolling three-year periods, the performance of the Fund should exceed the performance of the stated index.
2. On rolling five-year periods, the performance of the Fund should exceed the performance of the stated index.
3. On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.
<table>
<thead>
<tr>
<th>Asset Class/Current Fund Name</th>
<th>Purpose</th>
<th>Investments</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small &amp; Mid Cap Equity Index Fund/Fidelity Spartan Extended Market Index</td>
<td>Capital Appreciation</td>
<td>Small to Mid Cap Equity</td>
<td>On quarterly and annual bases, Fund should closely track performance and volatility of Dow Jones US Completion TSM Index</td>
</tr>
<tr>
<td>International Equity Index Fund/Vanguard Total International Stock Index</td>
<td>Capital Appreciation</td>
<td>Non-US Equity</td>
<td>On quarterly and annual bases, Fund should closely track performance and volatility of MSCI ACWI Ex-US IMI Index</td>
</tr>
</tbody>
</table>

**ACTIVE MANAGEMENT TIER**

<table>
<thead>
<tr>
<th>Asset Class/Current Fund Name</th>
<th>Purpose</th>
<th>Investments</th>
<th>Measurement 1 — Fund’s Return on a Rolling 3 Year basis:⁴</th>
<th>Measurement 2 — Fund’s Return on a Rolling 5 Year basis:⁵</th>
<th>Measurement 3 — Fund’s Volatility on a Rolling 5 Year basis:⁶</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable Value Fund/Fidelity Managed Income Portfolio</td>
<td>Stable Investment</td>
<td>GICs &amp; BICs</td>
<td>Citigroup T-Bill + 100 bp</td>
<td>Citigroup T-Bill + 100 bps</td>
<td>None</td>
</tr>
<tr>
<td>Core Fixed Income Fund/Prudential Core Plus Bond CIT</td>
<td>Current Income &amp; Capital Preservation</td>
<td>U.S. Govt. &amp; Corp. Bonds Average A Grade</td>
<td>Mercer MF US Fixed Combined +Median</td>
<td>Barclays Capital Aggregate Bond Index</td>
<td>Barclays Capital Aggregate Bond Index 110%</td>
</tr>
</tbody>
</table>

⁴ On rolling three-year periods, the performance of the Fund should exceed the median of the stated universe (and in the case of the Stable Value Fund, by at least the amount stated).
⁵ On rolling five-year periods, the performance of the Fund should exceed the return of the stated index (and in the case of the Stable Value Fund, by at least the amount stated).
⁶ On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.
<table>
<thead>
<tr>
<th>Asset Class/Current Fund Name</th>
<th>Purpose</th>
<th>Investments</th>
<th>Measurement 1 - Fund’s Return on a Rolling 3 Year basis:</th>
<th>Measurement 2 - Fund’s Return on a Rolling 5 Year basis:</th>
<th>Measurement 3 - Fund’s Volatility on a Rolling 5 Year basis:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Value Equity Fund/John Hancock Classic Value</td>
<td>Capital Appreciation</td>
<td>Large Cap – Appreciation by Improving Valuations</td>
<td>Mercer MF US Large Cap Value</td>
<td>+Median</td>
<td>Russell 1000 Value Index</td>
</tr>
<tr>
<td>Large Cap Growth Equity Fund/Mainstay Large Cap Growth</td>
<td>Capital Appreciation</td>
<td>Large Cap – Appreciation by Earnings Growth</td>
<td>Mercer MF US Large Cap Growth</td>
<td>+Median</td>
<td>Russell 1000 Growth Index</td>
</tr>
<tr>
<td>Small Cap Value Equity Fund/Victory Integrity Small-Cap Value</td>
<td>Capital Appreciation</td>
<td>Small to Mid Cap Equity - Improved Valuations</td>
<td>Mercer MF US Small Cap Value</td>
<td>+Median</td>
<td>Russell 2000 Value Index</td>
</tr>
<tr>
<td>Small Cap Growth Equity Fund/Voya Small-Cap Opportunities</td>
<td>Capital Appreciation</td>
<td>Small to Mid Cap Equity - Improved Earnings</td>
<td>Mercer MF US Small Cap Growth</td>
<td>+Median</td>
<td>Russell 2000 Growth Index</td>
</tr>
<tr>
<td>International Equity Fund/Fidelity International Discovery</td>
<td>Capital Appreciation</td>
<td>Non-US Equity</td>
<td>Mercer MF International Equity</td>
<td>+Median</td>
<td>MSCI EAFE Index</td>
</tr>
</tbody>
</table>

MP = Mutual Fund

7 On rolling three-year periods, the performance of the Fund should exceed the median of the stated universe (and in the case of the Stable Value Fund, by at least the amount stated).
8 On rolling five-year periods, the performance of the Fund should exceed the return of the stated index (and in the case of the Stable Value Fund, by at least the amount stated).
9 On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.
June 10, 2016

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

Commissioners:

As you may recall, each KUB utility division operates under a set of rules and regulations adopted by the Board of Commissioners. These documents dictate the general policies and procedures under which each utility system is to be operated.

KUB staff, in conjunction with legal counsel, periodically reviews the rules and regulations to ensure the governing documents consistently and accurately reflect KUB's current business structure and practices.

The Rules and Regulations for the Electric, Water and Wastewater Divisions have recently been reviewed and proposed changes have been identified, including housekeeping items to improve the overall clarity of the documents, and changes to reflect current business practices. As you may recall, the Gas Division Rules and Regulations were recently modified by Board action in November 2015.

Resolution 1347 adopts revised Electric, Water and Wastewater Division Rules and Regulations reflecting the aforementioned changes. Drafts of the proposed Electric, Water and Wastewater Division Rules and Regulations are enclosed for your review, along with a summary of the proposed changes.

I recommend the adoption of Resolution 1347 on first and final reading.

Respectfully submitted,

[Signature]

Mintha E. Roach
President and CEO

Enclosures
RESOLUTION NO. 1347


Whereas, Section 1106(G) of the Charter of the City of Knoxville provides that the Knoxville Utilities Board ("KUB") has the authority to make and enforce all necessary and desirable rules and regulations for the efficient use, operation, and management of the KUB system; and

Whereas, the KUB Board of Commissioners ("Board"), by Resolution No. 1191, previously adopted Electric Division Rules and Regulations; and

Whereas, the Board, by Resolution No. 1190, previously adopted Water Division Rules and Regulations; and

Whereas, the Board, by Resolution No. 1241, as amended, previously adopted Wastewater Division Rules and Regulations; and

Whereas, KUB staff periodically reviews KUB's utility division rules and regulations for clarity and to ensure consistency with applicable laws, other KUB governance documents, and KUB's current business structure and practices; and

Whereas, KUB staff, in conjunction with legal counsel, have identified certain modifications to the Electric, Water and Wastewater Rules and Regulations, which will provide greater clarity and more accurately reflect KUB's current business practices; and

Whereas, the Board finds that it is in the best interest of KUB and its customers to adopt revised Electric Division Rules and Regulations, Water Division Rules and Regulations, and Wastewater Division Rules and Regulations.

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

Section 1. The Electric Division Rules and Regulations, attached hereto and incorporated herein as Exhibit A to this resolution, are hereby adopted in their entirety and as of and after the effective date of this resolution shall be applicable in place of the existing Electric Division Rules and Regulations.
Section 2. The Water Division Rules and Regulations, attached hereto and incorporated herein as Exhibit B to this resolution, are hereby adopted in their entirety and as of and after the effective date of this resolution shall be applicable in place of the existing Water Division Rules and Regulations.

Section 3. The Wastewater Division Rules and Regulations, attached hereto and incorporated herein as Exhibit C to this resolution, are hereby adopted in their entirety and as of and after the effective date of this resolution shall be applicable in place of the existing Wastewater Division Rules and Regulations, however the appendices to the existing Wastewater Division Rules and Regulations providing operating guidelines and enforcement response guides for certain wastewater programs shall remain intact and in full force and effect.

Section 4. The President and CEO is authorized to take such actions and to authorize other persons to take such actions as may be necessary, proper, and convenient to carry into effect the Electric Division Rules and Regulations, the Water Division Rules and Regulations, and the Wastewater Division Rules and Regulations.

Section 5. This resolution shall take effect from and after its passage.

______________________________
Nikitia Thompson/s
Nikitia Thompson, Chair

______________________________
Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 6-16-16
EFFECTIVE DATE: 6-16-16
MINUTE BOOK 36 PAGE 7570 - 7637
KUB

Electric Division
Rules and Regulations
Knoxville Utilities Board

Rules and Regulations for the Electric Division

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Section VIII: Termination of Electric Service; Refusal to Connect Electric Service
Section IX: Rates for Electric Service
Section X: Billing for Electric Service
Section XI: Authority to Levy Charges and Fees
Section XII: KUB Electric System Extensions
Section XIII: Prohibition of Electricity Resale
Section XIV: Sub-metering
Section I. Purpose

It is the intent of the Knoxville Utilities Board ("KUB") that these Rules and Regulations promote the following principles:

1. Assure the safe and efficient use, administration, operation, expansion, extension, and preservation of KUB’s electric system.
2. Assure its customers’ compliance with these Rules and Regulations, Rate Schedules for electric service adopted by the Board and Service Procedures established by KUB to implement these Rules and Regulations.
3. Promote fair, reasonable, and uniform treatment of customers in each of the rate classes of KUB’s Electric Division.
4. Protect our environment through the professional management of our system and maintain public confidence in KUB’s electric system.
5. Encourage economic development by promoting extensions of the KUB electric system.
6. Simplify, clarify, and modernize the policies governing the operation of KUB’s Electric Division.
7. Assure that the KUB electric system operating practices are as uniform as appropriate.
8. Promote the continued evolution and development of KUB’s electric system operating guidelines and practices.

Section II. Scope

These Rules and Regulations apply to the application, implementation, and operation of KUB’s electric system and the provision of electric service and have been adopted pursuant to authority granted the Board by Section 1106(G) of the City Charter.

1. Conflict. In addition to these Rules and Regulations, the following documents, listed in order of precedence, are hereby made a part of all contracts and enforceable through all contracts, actual and implied, for customers and users receiving electric service from KUB and apply to all electric services received by customers, whether the service is based upon contract, agreement, signed application or otherwise:

   i) the Electric Division Rate Schedules;
   ii) these Rules and Regulations as may be amended from time to time; and
   iii) the Service Procedures.

In the event of a conflict between the documents listed above, the order of precedence shall govern.
2. **Severability.** If any clause, sentence, paragraph, section or part of these *Rules and Regulations*, any applicable *Electric Division Rate Schedule*, or any provision of the *Service Procedures* shall be declared invalid or unconstitutional, it shall not affect the validity of the remaining parts of these *Rules and Regulations*, the applicable *Electric Division Rate Schedule*, or the *Service Procedures*.

3. **Authority.** Subject to the limitations set forth in the Charter, these *Rules and Regulations*, applicable *Rate Schedules* and any other official *Board* action or resolution, the *President and CEO*, and his/her designees, has all rights, powers, duties and authorities to implement, and enforce these *Rules and Regulations*. The *President and CEO*, and his/her designees has all rights, powers, duties, and authorities to establish and enforce *Service Procedures* and other such policies and programs necessary to implement these *Rules and Regulations*.

4. **Rules and Regulations Oversight Committee.** The *Rules and Regulations* Oversight Committee shall consist of the *Chief Operating Officer (COO)*, and other members of *KUB* management, as so designated by the *President and CEO*. The *COO* shall chair the Committee. The *Rules and Regulations* Oversight Committee will provide oversight of the implementation, enforcement and administration of the *Rules and Regulations*. The *Rules and Regulations* Oversight Committee is responsible for recommending changes to the *Rules and Regulations* to the *President and CEO*. Any substantive amendments or changes to these *Rules and Regulations* are subject to the approval of the *President and CEO* and adoption by the *Board* in accordance with the *Board’s procedures*.

5. **Access to Premises.** The customer, user, and if a different person, owner of premises to which *electric service* is provided shall, by its receipt and acceptance of *electric service*, grant to *KUB* permission to access the premises at all times, including immediate access if determined to be necessary by *KUB* in the event of an emergency, for the purpose of:

   i. Reading meters;
   ii. Installing, testing, inspecting, repairing, operating, maintaining, removing, and replacing any *KUB electric system* component;
   iii. Vegetation management including but not limited to tree-trimming;
   iv. Clearing hazards away from *KUB’s electric system*;
   v. Inspecting and operating the customer’s, user’s, and if a different person, owner’s electric facilities;
   vi. Inspecting the premises; and
   vii. Providing notifications
in order to determine that KUB's Rules and Regulations and/or Service Procedures implementing the Rules and Regulations, the National Electric Code, and the National Electric Safety Code are being complied with and to ensure compliance with applicable federal, state, and local law(s) and regulation(s).

6. Responsibility for KUB's Property. The customer, user, and if a different person, owner shall provide a space for and exercise proper care to protect any KUB property on the premises; and in the event of loss or damage to KUB's property, arising from the negligence to care for said property, the cost of necessary repairs or replacements shall be paid by the negligent party.

The customer is solely responsible for trimming and/or removing any vegetation impeding (including but not limited to any tree) the installation, operation, repair, maintenance, removal or replacement of the electric service lines and related electric facilities.

No person shall cause or allow to exist on the premises any building, trees or anything else that interferes with the installation, operation, maintenance, removal or replacement of KUB's service and related electric facilities.

No person shall perform excavation without a valid TN811 locate request ticket. The Tennessee Underground Utility Damage Prevention Act specifies the requirements for safe digging or other work near utilities.

7. Responsibility for Compliance with Rules and Regulations. Every customer, user, and if a different person, owner shall comply with these Rules and Regulations, Rate Schedules for the Electric Division adopted by the Board, and Service Procedures established by KUB to implement these Rules and Regulations.

8. Promotion of Technology. KUB may establish and maintain processes consistent with these Rules and Regulations that promote and utilize new technologies for the operation of its electric system which improve system reliability, increase operational flexibility and/or lower costs of operation. Examples include, but are not limited to, automated remote metering, estimated metering, etc.

9. Health and Safety. All Rules and Regulations and Service Procedures affecting health and safety, including (without limitation) all provisions relating to inspection, general safety precautions for utilization, operation and maintenance of KUB's electric system, and rules governing installations, are for the guidance and benefit of customers, users, and if a different person, owners, and KUB shall not be responsible for the health
and safety thereof, or for any loss, damage, or injury resulting from any violation thereof, but KUB reserves the right, in its discretion, to refuse to furnish electric service, or to discontinue furnishing electric service, where the customer, user, and if a different person, owner fails to comply therewith.

10. Interpretation. It is the intent of KUB that these Rules and Regulations be liberally interpreted.

Section III. Definitions

For the purpose of these Rules and Regulations, and unless the context specifically indicates otherwise, the following terms shall have the meaning ascribed:

Wherever the context shall require, words used herein in the singular shall include the plural, words used in the plural shall include the singular, words used in the masculine shall include the feminine, and words used in the feminine shall include the masculine.

Board shall mean the KUB Board of Commissioners, as appointed from time to time by the Mayor and City Council of the City of Knoxville, Tennessee.

Chief Executive Officer or President and CEO shall mean the President and Chief Executive Officer of the Knoxville Utilities Board.

Chief Operating Officer or COO shall mean the Chief Operating Officer of the Knoxville Utilities Board. The COO, subject to the supervision of the CEO, shall administer, implement, and enforce the provisions of these Rules and Regulations.

City shall mean the City of Knoxville, Tennessee.

Commercial and industrial use shall mean all uses with the exception of domestic use as defined in these Rules and Regulations.

Connection shall mean any physical tie or hookup made to the KUB electric system.

Contribution in Aid of Construction (CIAC) shall mean a payment required of the customer for the extension of KUB’s electric system.

Customer shall mean any person who receives electric service from KUB under either an express or implied contract requiring such person to pay
KUB for such service. The term shall also include illicit users of electric service from KUB.

Domestic use of the electric system shall be defined and limited to single-family, multifamily, apartment or other dwelling unit or dwelling unit equivalent connecting to KUB's electric system and used for residential purposes only.

Dwelling unit shall mean any structure occupied by one or more persons of a single family for residential purposes. Apartment buildings and other structures occupied by more than one family shall be considered multiple dwelling units.

Electric Division or division shall mean the part of the KUB system having charge of the physical operation and financial oversight of KUB's electric system.

Electric system shall mean all facilities for transmitting, distributing, and receiving electricity.

Electricity and/or electric service means energy made available for consumption by KUB for its customers, users, and if a different person, owners for domestic, commercial and/or industrial use by transmitting or distributing energy via the flow of an electric charge through a conductor.

Fee is any amount levied that is: (1) infrequent in nature, and/or (2) generally not consumption based, and/or (3) set at the discretion of management of KUB as authorized by the Board, but does not include a rate.

Knoxville Utilities Board, or KUB, shall mean the Knoxville Utilities Board of the City of Knoxville, Tennessee, or, as the context requires, the management of KUB, its contractors or agents.

Overhead electric service line (service drop) shall mean an overhead extension of KUB's electric system required to connect the customer's, user's, or if a different person, owner's premises and/or dwelling to the electric system. The overhead electric service line (service drop) shall be owned by KUB and thus be considered a part of KUB's electric system.

Person shall mean any individual, partnership, firm, company, association, society, corporation, limited liability company, trust, estate, governmental entity, or any other legal entity, or its legal representatives, agents, or assigns. This definition includes all federal, state and local governmental entities and shall also include illicit users of electric service from KUB.
Point of Delivery, for overhead electric service, shall mean the point at which the overhead electric service line (service drop) connects to the customer's, user's, or if a different person, owner's premises, as determined by KUB; for underground electric service, it shall mean the point at which the underground electric service conductors (service lateral) connects to KUB's electric system, as determined by KUB.

Premises shall mean any structure, group of structures, or property, whether occupied or unoccupied, operated as a single business, enterprise, or dwelling unit, but shall not include more than one dwelling unit.

Rate is any quantitative value used to determine an amount levied on a customer directly related to the provision and/or consumption of electricity typically associated with utility usage, as set forth in an Electric Division Rate Schedule adopted by the Board.

Rules and Regulations means the rules and regulations adopted by the Board governing the operation and use of KUB's electric system.

Service Procedures means those governing procedures set forth in a document or document(s) adopted by the President and CEO implementing the Rules and Regulations for the KUB electric system and outlining the guidelines necessary to oversee daily operation of KUB's electric system.

Stand-by Service is support electric service that is not regularly used by the customer that is made available as needed to supplement a customer's electric service requirements as authorized by the KUB Rate Schedule(s) for the Electric Division and/or a customer contract.

Standards and specifications shall mean a set of processes or procedures regarding certain aspects of the KUB electric system, which may be in effect from time to time, but may not be included in the Service Procedures.

Sub-metering shall mean metering equipment not owned by KUB that is used to measure and bill electric consumption at a premises and/or dwelling unit for payment of electric consumption to an entity other than KUB.
Underground electric service conductor (service lateral) shall mean an underground extension of electric facilities and related appurtenances required to connect the customer’s, user’s, or if a different person, owner’s premises and/or dwelling to KUB’s electric system. Underground electric service conductors (service lateral) shall be owned by the individual property owner.

User shall mean any premise having a connection to the KUB electric system or having access thereto. The term shall include illicit users of electric service from KUB.

Section IV. Initiation of Electric Service

1. Residential use. A formal request for either original or additional electric service must be made to KUB by the customer and be duly approved by KUB before connection to the KUB electric system is made. The request shall be in the prescribed form according to the Service Procedures. The receipt by KUB of a prospective customer’s request for electric service shall not obligate KUB to render the electric service. KUB may, at its sole discretion, require the customer to provide security, assurance, or guaranty prior to KUB rendering electric service.

2. Commercial and industrial use. A formal request for either original or additional electric service must be made to KUB and be duly approved before connection is made. The request shall be in the prescribed form according to the Service Procedures. The receipt by KUB of a prospective customer’s request for electric service shall not obligate KUB to render the electric service. KUB may, at its sole discretion, require the customer to provide security, assurance, or guaranty prior to KUB rendering electric service.

3. Intergovernmental agreements. At KUB’s sole discretion, KUB may enter into agreements with municipalities and unincorporated areas for the distribution and/or transmission of electric service. Any such agreement must comply with all applicable federal, state and local laws, ordinances, regulations and KUB’s Rules and Regulations. There shall be no liability on the part of KUB to the requestor for refusal of such service.

4. Private electric systems. At KUB’s sole discretion, KUB may allow the connection of private electric systems to the KUB electric system. Any person owning or controlling premises either within or without the current KUB electric system area of service desiring to install a private electric system and to connect to the KUB electric system must comply with all applicable federal, state and local laws, ordinances, regulations and KUB’s Rules and Regulations and Service Procedures. KUB may enter into an agreement with said persons at KUB’s sole discretion. There shall
be no liability on the part of KUB to the requestor for refusal of such service.

Section V. Connections to KUB Electric System

1. Electric System extension or relocations. Customer extensions or relocations, both overhead and underground, will be located in a right-of-way or dedicated easement acceptable to KUB. Unless approved by KUB, the right-of-way must be adjacent to a road that is suitably maintained so as to permit KUB to have direct access to the KUB electric system. Should the right-of-way be adjacent to a private road, rights of ingress and egress shall be granted to KUB, and a dedicated easement shall be provided to KUB without cost before any overhead electric service line extension and/or underground electric service conductors are constructed. If additional easements are required, the customer shall bear KUB's costs of obtaining said easements.

KUB may offer temporary electric service in accordance with its Rate Schedules and/or Service Procedures.

2. Point of delivery

A. The point of delivery, for overhead electric service, shall mean the point at which the overhead electric service line (service drop) connects to the customer's, user's, or if a different person, owner's premises, as determined by KUB; for underground electric service, the point of delivery shall mean the point at which the underground electric service conductors (service lateral) connects to KUB's electric system, as determined by KUB.

B. All connections to the KUB electric system are to be made in accordance with all applicable KUB standards and specifications. In the event of a discrepancy between KUB standards and specifications and the National Electric Code, the National Electric Code shall prevail.

C. The Codes Inspector for the City for connections within the City and the appropriate regulatory authority for the area for connections outside the City, including but not limited to the State Inspector, must inspect and approve the electric service connection before any meter is set by KUB. For connections for government entities within KUB's service area, the appropriate regulatory authority, if any, shall make electrical inspections, before any meter is set by KUB.

D. Costs and expenses incident to the installation, connection and inspection of the wiring and equipment beyond the point of delivery.
shall be borne by the *customer, user,* and if a different person, *owner.* All wiring or equipment (except KUB’s metering) beyond the *point of delivery* shall be owned and maintained by the *customer, user,* and if a different *person,* owner unless otherwise agreed to in writing by *KUB.*

E. Each *customer, user,* or if a different *person,* owner shall be entirely responsible for the maintenance, including repair and rehabilitation, of the underground electric service conductors (service lateral) in accordance with KUB’s *standards and specifications,* these *Rules and Regulations,* the most recent Electrical Code, as modified and adopted by the *City,* or the appropriate regulatory authority for the area of connection outside of the *City,* and all applicable codes and ordinances.

The *customer, owner,* and if a different *person,* owner shall also be entirely responsible for the trimming and/or removal of vegetation in order to maintain a reasonable clearance between said vegetation and the underground electric service conductors (service lateral) and/or the overhead electric service line (service drop).

F. KUB operates, maintains, repairs, and replaces all portions of the *KUB electric system.* KUB shall perform all work in accordance with National Electric Code regulations, KUB’s *standards and specifications,* these *Rules and Regulations,* and any other applicable codes and ordinances.

G. The location of KUB’s *metering equipment* shall not change the location of the *point of delivery.*

H. KUB shall not be liable for any injury to *persons* or property on account of any defect or negligence in the installation, maintenance, or use of the *customer’s, user’s,* and if a different *person,* owner’s equipment beyond the *point of delivery.*

3. **Voltage Fluctuations.** Electric service must be used by the *customer, user,* and if a different *person,* owner in such a manner as to not cause unusual fluctuations or disturbances to KUB’s *electric system.* KUB may require any such party, at their expense, to install a suitable apparatus that will reasonably limit such fluctuations. KUB shall inspect and approve any such apparatus and will require installation to meet all applicable codes and KUB’s *standards and specifications.*

4. **Additional Load.** The service *connection,* transformers, meters and equipment supplied by KUB for each *customer, user,* and if a different *person,* owner have definite capacity and no major addition to the equipment or load connected thereto, as determined by *KUB* in its sole
discretion, will be allowed except by consent of KUB. Failure to give written notice of major additions or changes in load, as determined by KUB in its sole discretion, and to obtain KUB’s written consent for same shall render said party liable for any damage to KUB’s electric system caused by the additional or changed installation.

5. **Stand-by Service.** A qualified customer may request stand-by service provided the stand-by capacity can be provided and made available. The determination of the economic contribution made by KUB, if any, toward providing stand-by service for a customer shall be determined by KUB on the basis of economic and/or technical feasibility. In making such determination, KUB shall consider the total capital cost, the anticipated revenues, the estimated expenses associated with the extension, such other economic factors as the KUB may deem appropriate under the circumstances, and the availability of stand-by capacity. Costs in excess of KUB’s investment, if any, shall be borne by the customer and shall constitute a CIAC. All expenses incident thereto, including testing, repair, maintenance, billing and reading the meter for the stand-by service, shall be borne by the customer. A customer must receive approval from KUB prior to the installation of a stand-by service.

6. **Interconnection.** No interconnection of any kind shall be permitted between KUB’s electric system and any electric supply from any other source, nor shall any electric supply from any other source be permitted to migrate into KUB’s electric system, unless approved in writing by the COO or the President and CEO. Additionally, KUB will require technical information, including but not limited to manufacturer drawings, equipment layout, and details concerning the transfer switch apparatus, in regard to the interconnection or electric backup system. KUB reserves the right to alter or modify the requesting party’s plans to address safety concerns or KUB’s electric system integrity.

**Section VI. Interruption of Electric Service**

KUB shall not be liable for any damage resulting from failure of any KUB electric system component, or by discontinuing the operation of any segment of its electric system for repair, extensions or connections, or from the accidental failure of its electric system from any cause whatsoever, or the termination of electric service as the result of violations by any customer, user, and if a different person, owner of any applicable federal, state and local laws and/or these Rules and Regulations or KUB’s Service Procedures, or damage resulting from KUB’s failure to terminate electric service after notice of termination of electric service by the customer. In cases of emergency, KUB shall have the right to restrict the use of its electric system in any reasonable manner for the protection of KUB’s electric system, customers, the public, and the environment.
Section VII. Shortage of Electricity

In the event of an emergency or other condition causing a shortage in the amount of electricity for KUB to meet the demands on its electric system, KUB may, by a method deemed equitable by KUB, fix the amount of electricity to be made available for use by customers and/or may otherwise restrict the time and purpose of electric use by customers. A method for the distribution of electricity under such circumstances may be set forth in the Service Procedures.

If such conditions become necessary, a customer may request a variance because of unusual circumstances including matters adversely affecting public health, safety, and welfare. If the customer fails to comply with such restriction, KUB may take such remedial action, as it deems appropriate under the circumstances including but not limited to temporarily terminating electric service or charging additional amounts because of the excess use of electricity.

KUB also reserves the right to grant no further applications for electric service until such time that the shortage of electricity for KUB to meet the demands on its electric system has been alleviated.

Section VIII. Termination of Electric Service; Refusal to Connect Electric Service

KUB has the right to terminate or refuse electric service based on outstanding debts owed to KUB related to the non-payment of utility bills, a dispute as to the ownership or right of occupancy of the premises requesting electric service, a violation of these Rules and Regulations, a violation of Service Procedures, a violation of a customer contract, non-payment of a utility bill by the customer, non-usage of electric service for a reasonable period of time, a violation of the National Electric Safety Code or any other applicable rule, law, or ordinance, or any other legitimate reason deemed in KUB’s best interests and the best interests of KUB’s electric system.

Section IX. Rates for Electric Service

Electric service rates shall be set forth in the Electric Division Rate Schedules as adopted by the KUB Board.

Section X. Billing for Electric Service

The billing for electric service shall be in accordance with the Rate Schedules of the Electric Division as approved by the Board and this section of the Rules and Regulations.

1. Minimum charges. The minimum charge, if any, will be as stated in the Rate Schedules of the Electric Division.
2. **Estimated billing.** KUB may periodically estimate a customer's electric consumption and submit to customer for payment such estimated service bill.

3. **Billing adjustments.** KUB may adjust customer billing for reasons including but not limited to the following: billing for over or under registration of meters, for the determination of electric consumption by customers when meters have been inoperative, for an obviously incorrect meter reading, or for other recognized and proper adjustments as are determined by KUB.

**Section XI. Authority to Levy Charges and Fees**

Under the provisions of the City Charter and of the general laws of the State of Tennessee, KUB is authorized and empowered to fix, levy and collect fees, rents, tolls or other charges for the use of or in connection with the KUB electric system. This authorization includes but is not limited to the establishment, levy and collection of a service charge, improvement charge or other charges deemed necessary. The CEO and/or his/her designee may establish Service Procedures addressing the establishment of charges and fees associated with electric service.

**Section XII. KUB Electric System Extensions**

1. **General Extension Policy**

   A. The investment that KUB will make, if any, toward an extension of the KUB electric system will be equitably determined by KUB on the basis of economic and/or technical feasibility. In making such determination, KUB shall consider the total capital cost, the anticipated revenues, the estimated expenses associated with the extension, such other economic factors as KUB may deem appropriate under the circumstances and the availability of adequate capacity in the KUB electric system. KUB may require the person to pay a CIAC.

   B. KUB may require the person to execute an extension agreement which requires and/or provides for assurances or other security or credit arrangements as may be required by KUB in its sole discretion, with respect to the extension, including, but not limited to, refundable construction advances, minimum demand or bill requirements, and such other forms of security, assurance, and/or guaranty, as KUB determines to be necessary or appropriate to protect the interest of KUB and its customers. KUB shall not be obligated to provide refunds unless specified in a contract. In no
event shall a refund be in excess of the amount of the advance for
or actual cost of construction.

C. KUB shall have the authority to extend its electric system in a
manner different from that set forth in the Rules and Regulations
and charge a CIAC when any such extension is determined to be in
the best interest of KUB, economic interest of the community, or to
the benefit of the public health of the community.

D. The authority to make electric extensions is in KUB's sole discretion
even though all requirements have been met. Nothing contained
herein shall be construed as requiring KUB to extend electric
service to any property. KUB electric system extensions shall not
be denied on the basis of race, sex, religion, color, age, or national
origin.

E. All costs associated with designing and installing an electric
system and all appurtenances in new developments are the sole
responsibility of the persons developing the subdivision or land
development project.

2. Construction of KUB Electric System

A. KUB's electric system shall be constructed by KUB personnel or by
a licensed contractor acceptable to KUB.

B. The size, type, and installation of KUB's electric system
components shall comply with KUB's standards and specifications
and must be approved by KUB. KUB may at its sole discretion
install its facilities overhead or underground.

C. Construction work on KUB's electric system shall at all times be
subject to inspection by KUB to assure that the work conforms to
KUB's standards and specifications.

D. No approval or inspection by KUB hereunder shall relieve a
contractor or a person who contracted with a contractor of any
liability for work performed on the KUB electric system.

E. Upon the completion of construction and subsequent inspection
and approval by KUB, such construction shall become the property
of KUB and thereafter become a part of KUB's electric system. The
persons paying the cost of construction shall execute any written
instrument requested by KUB to provide evidence of KUB's title. In
consideration of such being transferred to KUB, KUB shall
incorporate such as an integral part of KUB's electric system in
accordance with these Rules and Regulations.
F. KUB may, at the request of a person, relocate or change existing KUB electric system components. The person may be required to reimburse KUB for costs of such relocation or change including but not limited to appropriate overheads and associated costs for easement acquisitions. When a public right-of-way is changed for the benefit of private interests and KUB’s electric system must be adjusted to accommodate said change, the cost of such adjustments shall be paid in advance on a non-refundable basis by the requesting parties.

G. The property owner shall be entirely responsible for the trimming and/or removal of vegetation in order to maintain a reasonable clearance between said vegetation and the underground electric service conductors (service lateral) and/or the overhead electric service line (service drop).

KUB reserves the authority to allow and/or deny private electric systems that either directly or indirectly draw and/or transmit electrical current to and/or from, as appropriate, the KUB electric system. Any such private electric system shall be approved by the applicable governing entities. The owner of the private electric system, such as the developer, the developer’s legally authorized successor, property owner, etc., shall retain ownership of and be responsible for all operation and maintenance of the private electric system. KUB shall retain ownership of and be responsible for the operation and maintenance of the master metering equipment, which registers electric usage by the private electric system. If determined by KUB that the private electric systems violate any applicable federal, state or local laws, or regulations or these Rules and Regulations or Service Procedures, then KUB has the authority to require the customer to rectify the violation at the customer’s expense. KUB has the authority and reserves the right to enter on the customer’s property and to rectify the violation and seek reimbursement for costs borne by KUB to rectify the violation.

Section XIII. Prohibition of Electricity Resale.

No person shall resell electricity from KUB’s electric system without KUB’s express written permission.

Section XIV. Sub-metering.

Sub-metering of KUB’s electric service shall not be allowed except as expressly permitted in writing by KUB in circumstances where the COO has determined it is in KUB’s best interests or it is expressly permitted in a Rate Schedule.
KUB

Water Division
Rules and Regulations
Rules and Regulations for the Water Division

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Section I. Purpose

It is the intent of the Knoxville Utilities Board ("KUB") that these Rules and Regulations promote the following principles:

1. Assure the safe and efficient use, administration, operation, expansion, extension, and preservation of KUB's water system.
2. Assure its customers' compliance with these Rules and Regulations, Rate Schedules for water service adopted by the Board and Service Procedures established by KUB to implement these Rules and Regulations.
3. Promote fair, reasonable, and uniform treatment of customers in each of the rate classes of KUB's Water Division.
4. Protect our environment through the professional management of our system and maintain public confidence in KUB's water system.
5. Encourage economic development by promoting extensions of the KUB water system.
6. Simplify, clarify, and modernize the policies governing the operation of KUB's Water Division.
7. Assure that the KUB water system operating practices are as uniform as appropriate.
8. Promote the continued evolution and development of KUB's water system operating guidelines and practices.

Section II. Scope

These Rules and Regulations apply to the application, implementation, and operation of KUB's water system and the provision of water service, and have been adopted pursuant to authority granted the Board by Section 1106(G) of the City Charter.

1. Conflict. In addition to these Rules and Regulations, the following documents, listed in order of precedence, are hereby made a part of all contracts and are enforceable through all contracts, actual and implied, for customers and users receiving water service from KUB and apply to all water services received by customers, whether the service is based upon contract, agreement, signed application or otherwise:

   i) the Water Division Rate Schedules;
   ii) these Rules and Regulations as may be amended from time to time; and
   iii) the Service Procedures.

In the event of a conflict between the documents listed above, the order of precedence shall govern.
2. Severability. If any clause, sentence, paragraph, section or part of these Rules and Regulations, any applicable Water Division Rate Schedule, or any provision of the Service Procedures shall be declared invalid or unconstitutional, it shall not affect the validity of the remaining parts of these Rules and Regulations or the applicable Water Division Rate Schedule, or the Service Procedures.

3. Authority. Subject to the limitations set forth in the Charter, these Rules and Regulations, applicable Rate Schedules and any other official Board action or resolution, the President and CEO, and his/her designees, has all rights, powers, duties and authorities to implement, and enforce these Rules and Regulations. The President and CEO, and his/her designees, has all rights, powers, duties, and authorities to establish and enforce Service Procedures and other such policies and programs necessary to implement these Rules and Regulations.

4. Rules and Regulations Oversight Committee. The Rules and Regulations Oversight Committee shall consist of the Chief Operating Officer (COO), and other members of KUB management, as so designated by the President and CEO. The COO shall chair the Committee. The Rules and Regulations Oversight Committee will provide oversight of the implementation, enforcement and administration of the Rules and Regulations. The Rules and Regulations Oversight Committee is responsible for recommending changes to the Rules and Regulations to the President and CEO. Any substantive amendments or changes to these Rules and Regulations are subject to the approval of the President and CEO and adoption by the Board in accordance with the Board's procedures.

5. Access to Premises. The customer, user, and if a different person, owner of premises to which water service is provided shall, by its receipt and acceptance of water service, grant to KUB permission to access the premises at all times, including immediate access, if determined to be necessary by KUB in the event of an emergency, for the purpose of:

   i. Reading meters;
   ii. Installing, testing, inspecting, repairing, operating, maintaining, removing, and replacing any KUB water system component;
   iii. Clearing hazards away from KUB’s water system;
   iv. Inspecting and operating the customer’s, user’s, and if a different person, owner’s water facilities;
   v. Inspecting the premises; and
   vi. Providing notifications

in order to determine that KUB’s Rules and Regulations and/or Service Procedures implementing the Rules and Regulations, and the regulations and requirements of the applicable Tennessee state regulatory authority, are being complied with and to ensure compliance with applicable federal, state, and local law(s) and regulation(s).
6. Responsibility for KUB’s Property. The customer, user, and if a different person, owner shall provide a space for and exercise proper care to protect any KUB property located on the premises; and in the event of loss or damage to KUB’s property, arising from the negligence to care for said property, the cost of necessary repairs or replacements shall be paid by the negligent party.

No person shall perform excavation without a valid TN811 locate request ticket. The Tennessee Underground Utility Damage Prevention Act specifies the requirements for safe digging or other work near utilities.

7. Responsibility for Compliance with Rules and Regulations. Every customer, user, and if a different person, owner shall comply with these Rules and Regulations, Rate Schedules of the Water Division adopted by the Board, and Service Procedures established by KUB to implement these Rules and Regulations.

8. Promotion of Technology. KUB may establish and maintain processes consistent with these Rules and Regulations that promote and utilize new technologies for the operation of its water system which improve system reliability, increase operational flexibility and/or lower costs of operation. Examples include, but are not limited to, automated remote metering, estimated metering, etc.

9. Health and Safety. All Rules and Regulations and Service Procedures affecting health and safety, including (without limitation) all provisions relating to inspection, general safety precautions for utilization, operation and maintenance of KUB’s water system, and rules governing installations, are for the guidance and benefit of customers, users, and if a different person, owners, and KUB shall not be responsible for the health and safety thereof, or for any loss, damage, or injury resulting from any violation thereof, but KUB reserves the right, in its discretion, to refuse to furnish water service, or to discontinue furnishing water service, where the customer, user, and if a different person, owner fails to comply therewith.

10. Interpretation. It is the intent of KUB that these Rules and Regulations be liberally interpreted.

Section III. Definitions

For the purpose of these Rules and Regulations, and unless the context specifically indicates otherwise, the following terms shall have the meaning ascribed:

Wherever the context shall require, words used herein in the singular shall include the plural, words used in the plural shall include the singular, words used in the masculine shall include the feminine, and words used in the feminine shall include the masculine.
Board shall mean the KUB Board of Commissioners, as appointed from time to time by the Mayor and City Council of the City of Knoxville, Tennessee.

Chief Executive Officer or President and CEO shall mean the President and Chief Executive Officer of the Knoxville Utilities Board.

Chief Operating Officer or COO shall mean the Chief Operating Officer of the Knoxville Utilities Board. The COO, subject to the supervision of the CEO, shall administer, implement, and enforce the provisions of these Rules and Regulations.

City shall mean the City of Knoxville, Tennessee.

Commercial and industrial use shall mean all uses with the exception of domestic use as defined in these Rules and Regulations.

Connection shall mean the point at which the water service line connects with the KUB water system. For metered water service, the point of connection shall be where the outlet pipe leaves the outlet side of the meter box. For unmetered water service, the point of connection shall be at the control valve of the water service main.

Contribution in Aid of Construction (CIAC) shall mean a payment required of the customer for the extension of KUB’s water system.

Cross connection shall mean any actual or potential physical connection between KUB’s water system and an unapproved water supply or other potential source of contamination.

Customer shall mean any person who receives water service from KUB under either an express or implied contract requiring such person to pay KUB for such service. The term shall also include illicit users of water service from KUB.

Domestic use of the water system shall be defined and limited to single-family, multifamily, apartment or other dwelling unit or dwelling unit equivalent connecting to KUB’s water system and used for residential purposes only.

Dwelling unit shall mean any structure occupied by one or more persons of a single family for residential purposes. Apartment buildings and other structures occupied by more than one family shall be considered multiple dwelling units.

Fee is any amount levied that is: (1) infrequent in nature, and/or (2) generally not consumption based, and/or (3) set at the discretion of management of KUB as authorized by the Board, but does not include a rate.
Knoxville Utilities Board, or KUB, shall mean the Knoxville Utilities Board of the City of Knoxville, Tennessee, or, as the context requires, the management of KUB, its contractors or agents.

Person shall mean any individual, partnership, firm, company, association, society, corporation, limited liability company, trust, estate, governmental entity, or any other legal entity, or its legal representatives, agents, or assigns. This definition includes all federal, state and local governmental entities and shall also include illicit users of water service from KUB.

Point of Delivery, unless otherwise designated by KUB, shall be where the outlet pipe leaves the outlet side of the meter box. For unmetered water service, the point of delivery, unless otherwise designated by KUB, shall be at the control valve of the water service main.

Premises shall mean any structure, group of structures, or property, whether occupied or unoccupied, operated as a single business, enterprise, or dwelling unit, but shall not include more than one dwelling unit.

Private fire line shall mean a water service line to be used exclusively to access water flow for private fire protection purposes.

Private water system is any water system owned and maintained by the customer, whose operation is regulated by entities other than KUB including but not limited to the applicable Tennessee state regulatory authority. The water use of a private water system shall be metered by KUB at a central location.

Rate is any quantitative value used to determine an amount levied on a customer directly related to the provision and/or consumption of water typically associated with utility usage, as set forth in a Water Division Rate Schedule adopted by the Board.

Rules and Regulations means the rules and regulations adopted by the Board governing the operation and use of KUB’s water system.

Service Procedures means those governing procedures set forth in a document or document(s) adopted by the President and CEO implementing the Rules and Regulations for the KUB water system and outlining the guidelines necessary to oversee the daily operation of KUB’s water system.

Standards and specifications shall mean a set of processes or procedures regarding certain aspects of the KUB water system, which may be in effect from time to time, but may not be included in the Service Procedures.
User shall mean any premise having a connection to the KUB water system or having access thereto. The term shall include illicit users of water service from KUB.

Water and/or water service means water made available for consumption by KUB for its customers, users, and if a different person, owner for domestic, commercial and/or industrial use by delivering or distributing water via the KUB water system.

Water Division or division shall mean the part of the KUB system having charge of the physical operation and financial oversight of KUB’s water system.

Water main shall mean the principal or major pipes in the water system conveying water to water service lines for distribution. A water main consists of a water distribution main and a water service main.

Water distribution main shall mean the water main that is ordinarily located in and extends longitudinally along a public street, road, similar public right of way or easement. The water distribution main shall be owned and maintained by KUB.

Water service main shall mean the portion of the water main, which leads from the water distribution main to the point of delivery. The water service main shall exclude the meter, meter box, control valve, and meter connections. The water service main shall be owned and maintained by KUB.

Water service line shall mean the pipe, which extends from the point of delivery to the customer’s, user’s, or if a different person, owner’s premises. The water service line shall exclude the meter, meter box, control valve, and meter connections. The water service line shall be owned and maintained by the individual property owner.

Water system shall mean all facilities for distributing and receiving water, including but not limited to water distribution mains, water service mains, meters, meter boxes, meter connections, and control valves.

Section IV. Initiation of Water Service

1. Residential use. A formal request for either original or additional water service must be made to KUB by the customer and be duly approved by KUB before connection to the KUB water system is made. The request shall be in the prescribed form according to the Service Procedures. The receipt by KUB of a prospective customer’s request for water service shall not obligate KUB to render water service. KUB may, at its sole discretion, require the customer to provide security, assurance, or guaranty prior to KUB rendering water service.
2. Commercial and industrial use. A formal request for either original or additional water service must be made to KUB and be duly approved before connection is made. The request shall be in the prescribed form according to the Service Procedures. The receipt by KUB of a prospective customer's request for water service shall not obligate KUB to render the water service. KUB may, at its sole discretion, require the customer to provide security, assurance, or guaranty prior to KUB rendering water service.

3. Intergovernmental agreements. At KUB’s sole discretion, KUB may enter into agreements with municipalities, utility districts, and unincorporated areas for the distribution of water service. Any such agreement must comply with all applicable federal, state and local laws, ordinances, regulations and KUB’s Rules and Regulations. There shall be no liability on the part of KUB to the requestor for refusal of such service.

4. Private water systems. At KUB’s sole discretion, KUB may allow the connection of private water systems to the KUB water system. Any person owning or controlling premises either within or without the current KUB water system area of service desiring to install a private water system and to connect to the KUB water system must comply with all applicable federal, state and local laws, ordinances, regulations and KUB’s Rules and Regulations and Service Procedures. KUB may enter into an agreement with said persons at KUB’s sole discretion. There shall be no liability on the part of KUB to the requestor for refusal of such service.

Section V. Connections to KUB Water System

1. Water system extensions or relocations. Water system extensions or relocations will be located in a right-of-way or dedicated easement acceptable to KUB. Unless approved by KUB, the right-of-way must be adjacent to a road that is suitably maintained so as to permit KUB to have direct access to the KUB water system. Should the right-of-way be adjacent to a private road, rights of ingress and egress shall be granted to KUB, and a dedicated easement shall be provided to KUB without cost before any water main is installed. If additional easements are required, the customer shall bear KUB’s costs of obtaining said easements.

KUB may offer temporary water service in accordance with its Rate Schedules and/or Service Procedures.

2. Point of delivery

A. The point of delivery for metered water service, unless otherwise designated by KUB, shall be the point where the outlet pipe leaves the outlet side of the meter box. In the event the meter and meter box are located inside the customer’s, user’s, and if a different person, owner’s property line, KUB shall be granted access, without cost to KUB, to that
portion of the water service main inside the property line, in accordance with Section II.5. The point of delivery for unmetered water service, unless otherwise designated by KUB, shall be at the control valve of the water service main, which provides water service to the customer, user, and if a different person, owner.

B. All connections to the KUB water system are to be made in accordance with all applicable KUB standards and specifications. All water service line installations shall be made by the persons desiring a connection to the KUB water system, and in accordance with all applicable codes and ordinances.

C. The Plumbing Inspector for the City for connections within the City must inspect and approve the water service line and the connection before any meter is set by KUB. For connections outside the City within KUB's service territory, the appropriate regulatory authority, if any, shall inspect the water service line and the connection before any meter is set by KUB.

D. The water service line and any other water piping or equipment beyond the point of delivery shall be owned and maintained by the individual property owner. Costs and expenses incidental to the installation, connection and inspection of water piping and equipment beyond the point of delivery shall be borne by the customer, excluding any costs incident to the meter, meter box, and meter connections.

E. The maintenance of the water service line, including repair and rehabilitation, shall be performed by a licensed contractor and be in accordance with all applicable codes and ordinances.

F. The water distribution main, water service main, meter, meter box, meter connections, and control valve shall be owned and maintained by KUB.

G. The location of KUB's meter, meter box, water service main, or other equipment on the customer's, user's, and if a different person, owner's property shall not change the location of the point of delivery.

H. As described elsewhere in this Section V(2), KUB shall own and maintain all water facilities up to the point of delivery, and the individual property owner shall own and maintain all water facilities and other piping and equipment beyond the point of delivery. However, under certain circumstances, as determined by KUB in its sole discretion (i.e. KUB designates control valve at the water service main as point of delivery for a metered water service), KUB may also own and maintain certain water facilities beyond the point of delivery, including but not limited to the meter, meter box, and meter connections.
1. KUB shall not be liable for any injury to persons or property on account of any defect or negligence in the installation, maintenance, or use of the customer’s, user’s, and if a different person, owner’s equipment beyond the point of delivery.

3. Cross Connections. No cross connections shall be permitted without the written authorization of KUB.

4. Mains on Private Property. KUB reserves the right to install water main in dedicated easements on private property for residential and business developments, including but not limited to condominium developments and commercial strip malls. In such instances, the point of delivery shall be the point where the water main crosses the dedicated easement, or where the outlet pipe extends from the meter within the easement.

5. Restriction on Continuous Flow of Unmetered Service. Except for firefighting use or testing, no customer, user, and if a different person, owner shall take any water through an unmetered service without the written authorization of KUB.

6. Additional Volume or Pressure. The water service line, water service main, and meter for each customer, user, and if a different person, owner have definite capacity and no major addition to water volume or pressure, as determined by KUB in its sole discretion, will be allowed except by consent of KUB. Failure to give written notice of major additions or changes in water volume or pressure, as determined by KUB in it sole discretion, and to obtain KUB’s written consent for same shall render said party liable for any damage to KUB’s water system caused by the additional or changed installation. In addition, in such instances, KUB shall not be liable for any damage to any premises caused by the additional or changed installation.

7. Interconnection. No interconnection of any kind shall be permitted between KUB’s water system and any other water supply from any other source, nor shall any other water supply from any other source be permitted to migrate into KUB’s water system, unless approved in writing by the COO or the President and CEO. Additionally, KUB will require technical information, including but not limited to manufacturer drawings and equipment layout, in regard to the interconnection. KUB reserves the right to alter or modify the requesting party’s plans to address safety concerns or KUB’s water system integrity.

8. Unauthorized Use or Interference with Water Supply. No person(s) shall turn on or turn off any of KUB’s valves, spigots, or fire hydrants, except when expressly authorized by KUB.
9. Limited Use of Private Fire Line. In the case of a private fire line, no water shall be used from such fire line or from any hydrant thereon, except for fire protection or when the line is being tested or inspected.

Section VI. Interruption of Water Service

KUB shall not be liable for any damage resulting from failure of any KUB water system component, or by fluctuations in water pressure, or by discontinuing the operation of any segment of its water system for repair, extensions or connections, or from the accidental failure of its water system from any cause whatsoever, or the termination of water service as the result of violations by any customer, user, and if a different person, owner, of any applicable federal, state and local laws and/or these Rules and Regulations or KUB’s Service Procedures, or damage resulting from KUB’s failure to terminate water service after notice of termination of water service by the customer. In cases of emergency, KUB shall have the right to restrict the use of its water system in any reasonable manner for the protection of KUB’s water system, customers, the public, and the environment.

Section VII. Restricted Use of Water

In the event of an emergency or other condition causing a shortage in the amount of water for KUB to meet the demands on its water system, KUB may, by a method deemed equitable by KUB, fix the amount of water to be made available for use by customers and/or may otherwise restrict the time and purpose of water use by customers. A method for the distribution of water under such circumstances may be set forth in the Service Procedures.

If such conditions become necessary, a customer may request a variance because of unusual circumstances including matters adversely affecting public health, safety, and welfare. If the customer fails to comply with such restriction, KUB may take such remedial action, as it deems appropriate under the circumstances including but not limited to temporarily disconnecting water service or charging additional amounts because of the excess use of water.

KUB also reserves the right to grant no further applications for water service until such time that the shortage of water for KUB to meet the demands on its water system has been alleviated.

Section VIII. Termination of Water Service; Refusal to Connect Water Service

KUB has the right to terminate or refuse water service based on outstanding debts owed to KUB related to the non-payment of utility bills, a dispute as to the ownership or right to occupancy of the premises requesting water service, a violation of these Rules and Regulations, a violation of Service Procedures, a violation of a customer contract, non-payment of a utility bill by the customer, non-usage of water service for a reasonable period of time, a violation of any other applicable rule, law, or ordinance, or
any other legitimate reason deemed in KUB’s best interests and the best interests of KUB’s water system.

Section IX. Rates for Water Service

Water service rates shall be set forth in the Water Division Rate Schedules as adopted by the KUB Board.

Section X. Billing for Water Service

The billing for water service shall be in accordance with the Rate Schedules of the Water Division as approved by the Board and this section of the Rules and Regulations.

1. Minimum charges. The minimum charge, if any, will be as stated in the Rate Schedules of the Water Division.

2. Estimated billing. KUB may periodically estimate a customer’s water consumption and submit to customer for payment such estimated service bill.

3. Billing adjustments. KUB may adjust customer billing for reasons including but not limited to the following: billing for over or under registration of meters, for the determination of water consumption by customers when meters have been inoperative, for an obviously incorrect meter reading, or for other recognized and proper adjustments as are determined by KUB.

Section XI. Authority to Levy Charges and Fees

Under the provisions of the City Charter and of the general laws of the State of Tennessee, KUB is authorized and empowered to fix, levy and collect fees, rents, tolls or other charges for the use of or in connection with the KUB water system. This authorization includes but is not limited to the establishment, levy and collection of a service charge, improvement charge or other charges deemed necessary. The CEO and/or his/her designee may establish Service Procedures addressing the establishment of charges and fees associated with water service.

Section XII. KUB Water System Extensions

1. General Extension Policy

A. The investment that KUB will make, if any, toward an extension of the KUB water system will be equitably determined by KUB on the basis of economic and/or technical feasibility. In making such determination, KUB shall consider the total capital cost, the anticipated revenues, the estimated expenses associated with the extension, such other economic factors as KUB may deem appropriate under the circumstances and the
availability of adequate capacity in the KUB water system. KUB may require the person to pay a CIAC.

B. Persons desiring water system extensions to and within new developments, including but not limited to land development projects and new subdivisions, shall be required to design and install all water mains and related facilities to support the new development. In addition, such persons shall be required to pay a tap fee toward the cost of connecting the water mains in the new development to the water system.

C. KUB may require the person to execute an extension agreement which requires and/or provides for assurances or other security or credit arrangements as may be required by KUB in its sole discretion, with respect to the extension, including, but not limited to, refundable construction advances, minimum demand or bill requirements, and such other forms of security, assurance, and/or guaranty, as KUB determines to be necessary or appropriate to protect the interest of KUB and its customers. KUB shall not be obligated to provide refunds unless specified in a contract. In no event shall a refund be in excess of the amount of the advance for or actual cost of construction.

D. KUB shall have the authority to extend its water system in a manner different from that set forth in the Rules and Regulations and charge a CIAC when any such extension is determined to be in the best interest of KUB, economic interest of the community, or to the benefit of the public health of the community.

E. The authority to make water system extensions is in KUB's sole discretion even though all requirements have been met. Nothing contained herein shall be construed as requiring KUB to extend water service to any property. KUB water system extensions shall not be denied on the basis of race, sex, religion, color, age or national origin.

2. Construction of KUB Water System

A. KUB's water system shall be constructed by KUB personnel or by a contractor acceptable to KUB.

B. The size, type and installation of water system components shall comply with KUB's standards and specifications and must be approved by KUB.

C. Construction work on KUB's water system shall at all times be subject to inspection by KUB to assure that the work conforms to KUB's standards and specifications.
D. No approval or inspection by KUB hereunder shall relieve the customer, person or the contractor of the customer or person of any liability for work performed on the KUB water system.

E. Upon the completion of construction and subsequent inspection and approval by KUB, such construction shall become the property of KUB and thereafter become a part of KUB’s water system. The persons paying the cost of construction shall execute any written instrument requested by KUB to provide evidence of KUB’s title. In consideration of such being transferred to KUB, KUB shall incorporate such as an integral part of KUB’s water system in accordance with these Rules and Regulations.

F. KUB may, at the request of a person, relocate or change existing KUB water system components. The person may be required to reimburse KUB for costs of such relocation or change including but not limited to appropriate overheads and associated costs for easement acquisitions. When a public right-of-way is changed for the benefit of private interests and KUB’s water system must be adjusted to accommodate said change, the cost of such adjustments shall be paid in advance on a non-refundable basis by the requesting parties.

3. Construction and Responsibility for Private Water Systems. KUB reserves the authority to allow and/or deny private water systems that either directly or indirectly draw water flow from the KUB water system. Any such private water system shall be approved by the applicable governing entities, including but not limited to the applicable Tennessee state regulatory authority. The owner of the private water system, such as the developer, the developer’s legally authorized successor, property owner, etc., shall retain ownership of and be responsible for all operation and maintenance of the private water system. KUB shall retain ownership of and be responsible for the operation and maintenance of the meter(s), which registers water usage by the private water system, and all applicable water facilities related to the operation of the master meter.

Section XIII. Prohibition of Water Resale

No person shall resell water from KUB’s water system without KUB’s express written permission or written authorization from the applicable Tennessee state regulatory authority.
Wastewater Division
Rules and Regulations
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Section I. Purpose

It is the intent of the Knoxville Utilities Board ("KUB") that these Rules and Regulations promote the following principles:

1. Assure the safe and efficient use, administration, operation, expansion, extension, and preservation of KUB's wastewater system.
2. Assure KUB's compliance with all applicable federal, state, and local statutes, regulations, ordinances and with any other requirements of orders, consent decrees, and/or mandates established by the Environmental Protection Agency (EPA) or the Tennessee Department of Environment and Conservation (TDEC), including permits for authorization to discharge under the National Pollutant Discharge Elimination System (NPDES), and its customers' compliance with these Rules and Regulations, Rate Schedules for wastewater service adopted by the Board and any rules of procedure established by KUB to implement these Rules and Regulations.
3. Promote fair, reasonable, and uniform treatment of customers in each of the rate classes of KUB's Wastewater Division.
4. Protect our environment through the professional management of our system and maintain public confidence in KUB's wastewater system.
5. Encourage economic development by promoting extensions of the KUB wastewater system.
6. Simplify, clarify, and modernize the policies governing the operation of KUB's Wastewater Division.
7. Assure that the KUB wastewater system operating practices are as uniform as appropriate.
8. Promote the continued evolution and development of KUB's wastewater system operating guidelines and practices.

Section II. Scope

These Rules and Regulations apply to the application, implementation, and operation of KUB's wastewater system and the provision of wastewater service and have been adopted pursuant to authority granted the Board by Section 1106(G) of the City Charter.

1. Conflict. In addition to these Rules and Regulations, the following documents, listed in order of precedence, are hereby made a part of all contracts and are enforceable through all contracts, actual and implied, for customers and users receiving wastewater service from KUB and apply to all wastewater services received by customers, whether the service is based upon contract, agreement, signed application or otherwise:
   i. the Wastewater Division Rate Schedules;
   ii. these Rules and Regulations as may be amended from time to time; and
iii. any rules of procedure established by KUB to implement these Rules and Regulations.

In the event of a conflict between the documents listed above, the order of precedence shall govern.

2. **Severability.** If any clause, sentence, paragraph, section or part of these Rules and Regulations, any applicable Wastewater Division Rate Schedule, or any rules of procedure shall be declared invalid or unconstitutional, it shall not affect the validity of the remaining parts of these Rules and Regulations or the applicable Wastewater Division Rate Schedule, or the applicable rules of procedure.

3. **Authority.** Subject to the limitations set forth in the Charter, these Rules and Regulations, applicable Rate Schedules and any other official Board action or resolution, the President and CEO, and his/her designees, has all rights, powers, duties and authorities to implement, and enforce these Rules and Regulations. The President and CEO, and his/her designees, has all rights, powers, duties, and authorities to establish and enforce rules of procedure and other such policies and programs necessary to implement these Rules and Regulations.

4. **Rules and Regulations Oversight Committee.** The Rules and Regulations Oversight Committee shall consist of the Chief Operating Officer (COO), the vice president and/or director responsible for the plants and collection system of KUB's wastewater system, and other members of KUB management, as so designated by the President and CEO. The Rules and Regulations Oversight Committee will provide oversight of the implementation, enforcement and administration of the Rules and Regulations and assure that the purposes set forth in the Rules and Regulations are adhered to as well as assuring that operating requirements for KUB's wastewater system are met according to the requirements established by federal, state, and local laws, regulations, orders or consent decrees. The Rules and Regulations Oversight Committee is responsible for recommending changes to the Rules and Regulations to the President and CEO. Any substantive amendments or changes to these Rules and Regulations are subject to the approval of the President and CEO and adoption by the Board in accordance with the Board's procedures.

5. **Access to Premises.** The customer, user, and if a different person, owner of premises to which wastewater service is provided shall, by its receipt and acceptance of wastewater service, grant to KUB permission to access the premises at all times for the purpose of:
i. Reading meters;
ii. Installing, testing, inspecting, repairing, operating, maintaining, removing, and replacing any KUB wastewater system component;
iii. Clearing hazards away from KUB's wastewater system;
iv. Inspecting and operating the customer's, user's, and if a different person, owner's wastewater facilities;
v. Inspecting the premises; and
vi. Providing notifications

in order to determine that KUB's Rules and Regulations and/or any rules of procedure implementing these Rules and Regulations, and the regulations and requirements of the applicable Tennessee state regulatory authority, are being complied with and to ensure compliance with all applicable federal, state, and local law(s) and regulation(s).

6. **Responsibility for KUB's Property.** The customer, user, and if a different person, owner shall provide a space for and exercise proper care to protect any KUB property located on the premises; and in the event of loss or damage to KUB's property, arising from the negligence to care for said property, the cost of necessary repairs or replacements shall be paid by the negligent party.

No person shall perform excavation without a valid TN811 locate request ticket. The Tennessee Underground Utility Damage Prevention Act specifies the requirements for safe digging or other work near utilities.

7. **Responsibility for Compliance with Rules and Regulations.** Every customer, user, and if a different person, owner shall comply with these Rules and Regulations, Rate Schedules of the Wastewater Division adopted by the Board, and any rules of procedure established by KUB to implement these Rules and Regulations.

8. **Promotion of Technology.** KUB may establish and maintain processes consistent with these Rules and Regulations that promote and utilize new technologies for the operation of its wastewater system which improve system reliability, increase operational flexibility and/or lower costs of operation. Examples include, but are not limited to, automated remote metering, estimated metering, etc.

9. **Health and Safety.** All Rules and Regulations and rules of procedure established to implement these Rules and Regulations affecting health and safety, including (without limitation) all provisions relating to inspection, general safety precautions for utilization, operation and maintenance of KUB's wastewater system, and rules governing customer connections are for the guidance and benefit of customers, users, and if a
different person, owners, and KUB shall not be responsible for the health and safety thereof, or for any loss, damage, or injury resulting from any violation thereof, but KUB reserves the right, in its discretion, to refuse to furnish wastewater service, or to discontinue furnishing water service and/or wastewater service, if applicable, where the customer, user, and if a different person, owner fails to comply therewith.

10. Interpretation. It is the intent of KUB that these Rules and Regulations be liberally interpreted.

Section III. Definitions

For the purpose of these Rules and Regulations, and unless the context specifically indicates otherwise, the following terms shall have the meaning ascribed:

Wherever the context shall require, words used herein in the singular shall include the plural, words used in the plural shall include the singular, words used in the masculine shall include the feminine, and words used in the feminine shall include the masculine.

Act or the act or CWA shall mean the Federal Water Pollution Control Act, also known as the Clean Water Act as it may be amended, 33 U.S.C. 1251, et seq.

Basic frontage shall mean a frontage of one hundred (100) feet measured at the building line.

Best management practice or BMP shall mean schedules of activities, prohibitions of practices, maintenance procedures, and other management practices to implement the prohibitions listed in state rule 1200-4-14-.05(1)(a) and (2). BMPs may also include treatment requirements, operating procedures, and practices to control plant site runoff, spillage or leaks, sludge or waste disposal, or drainage from raw materials storage.

B.O.D. (Biochemical oxygen demand) shall mean the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedures in five (5) days at twenty (20) degrees Celsius (sixty-eight (68) degrees Fahrenheit), expressed in milligrams per liter.

Board shall mean the KUB Board of Commissioners, as appointed from time to time by the Mayor and City Council of the City of Knoxville, Tennessee.

Categorical pretreatment standard or categorical standard shall mean any regulation containing pollutant discharge limits promulgated by EPA in accordance with sections 307(b) and (c) of the CWA which apply to specific
categories of users and which appear in 40 CFR Chapter 1, Subchapter N, Parts 405-471, as may be amended.

C.O.D. (chemical oxygen demand) shall mean the quantity of oxygen utilized in the rapid oxidation of organic matter by a strong chemical oxidant in accordance with "Standard Methods," expressed in milligrams per liter.

Chief Executive Officer or President and CEO shall mean the President and Chief Executive Officer of the Knoxville Utilities Board.

Chief Operating Officer or COO shall mean the Chief Operating Officer of the Knoxville Utilities Board. The COO, subject to the supervision of the CEO, shall administer, implement, and enforce the provisions of these Rules and Regulations.

Chlorine demand shall mean the amount of chlorine required to produce a free chlorine residual of 0.1 mg/l after thirty (30) minutes contact time, expressed in milligrams per liter.

City shall mean the City of Knoxville, Tennessee.

Collection system shall mean sewers, wastewater mains, pump stations and other equipment for the conveyance of wastewater to the treatment works.

Color shall be measured by a Nessler tube colorimeter utilizing a standard platinum cobalt color wheel for the determination of color in water.

Commercial and industrial use shall mean all uses with the exception of domestic use as defined in these Rules and Regulations.

Compatible waste shall mean biochemical oxygen demand, suspended solids, pH and fecal coliform bacteria; plus any additional pollutants identified in a publicly-owned treatment works NPDES permit, for which the publicly-owned treatment works is designed to treat such pollutants and in fact does treat such pollutants to a substantial degree.

Composite sample shall mean a collection of individual grab samples obtained at regular intervals, either based on time intervals or flow intervals (e.g. every two hours during a 24-hour time span or every 1000 gallons of process wastewater produced). Each individual grab sample is either combined with the others or analyzed individually and the results averaged.

Connection shall mean any physical tie or hookup made to the KUB wastewater system.
Connection charge shall mean that charge levied to defray the expenditure required to process the application, inspect the connection and approve the discharge permit.

Contribution in Aid of Construction (CIAC) shall mean a payment required of the customer for the extension of KUB's wastewater system.

Cooling water shall mean the water used for heat exchange and discharged from any system of condensation, air conditioning, cooling, refrigeration, or other such system, but which has not been in direct contact with any polluting material.

Customer shall mean any person who receives wastewater service from KUB under either an express or implied contract requiring such person to pay KUB for such service. The term shall also include illicit users of wastewater service from KUB.

Domestic use of the wastewater system shall be defined and limited to single-family, multifamily, apartment or other dwelling unit or dwelling unit equivalent containing sanitary facilities for disposal of domestic wastewater and used for residential purposes only.

Dwelling unit shall mean any structure occupied by one or more persons of a single family for residential purposes. Apartment buildings and other structures occupied by more than one family shall be considered multiple dwelling units.

Dwelling unit equivalent is that daily wastewater flow volume equal to the daily wastewater flow volume of one single-family dwelling unit which, for the purposes intended in these regulations, is established at one hundred sixty seven (167) gallons per day or two hundred fifty (250) gallons per day with peaking factor.

Environmental Protection Agency or EPA means an agency of the United States or, where appropriate, the term may also be used as a designation for the administrator or duly authorized official of said agency.

Extra strength wastewater shall be defined as any wastewater that has any characteristic or combination of characteristics exceeding the characteristics of normal domestic wastewater and that requires effort or expenditure over and above that required for treatment of normal domestic wastewater.

Fee is any amount levied that is: (1) infrequent in nature, and/or (2) generally not consumption based, and/or (3) set at the discretion of management of KUB as authorized by the Board, but does not include a rate.

Floating oil and grease is oil, fat or grease in a physical state such that it will separate by gravity from wastewater by treatment in an approved pretreatment
facility. **Wastewater** shall be considered free of floatable oil and grease if it is properly pretreated and does not interfere with the **wastewater system**.

**Food processing industry** means any commercial user whose primary business is the preparation of food products.

**Food service facility** or FSF means any restaurant, eatery, food caterer, cafeteria, or other institution processing and serving food.

**Grab sample** is an individual sample taken from a waste stream without regard to the flow in the waste stream and collected over a period of time not exceeding fifteen (15) minutes and must be representative of the discharge.

**Grease and oil** shall mean the group of substances with similar physical characteristics, which includes fatty acids, soaps, fats, waxes, oil and any other material solvent extracted and not volatilized during evaporation of the solvent.

**Incompatible waste** shall mean all **pollutants** other than compatible as defined within.

**Industrial user (IU)** shall mean a source of discharge of **industrial wastewater** into the **treatment works** that does not constitute a "discharge of **pollutants**" under regulations issued pursuant to Section 402, of the **Act**.

**Industrial wastewater** is the solid, liquid and gaseous wastes, other than domestic wastewater, resulting from processes or operations employed in industrial or commercial establishments.

**Infiltration** means groundwater and surface water which leaks into the **wastewater system** through cracked pipes, joints, manholes, **private service laterals** or other openings.

**Inflow** means water that flows into the **wastewater system** from the surface, streams, roof drains, down spouts, **private service laterals** or other sources.

**Influent** means the **wastewaters** arriving at the **treatment plants**.

**Interference** shall mean a discharge which, alone or in conjunction with a discharge or discharges from other sources, inhibits or disrupts the POTW, its treatment processes or operations, or its sludge processes, use or disposal, or exceeds the design capacity of the treatment works or the **collection system**, including but not limited to events,

A. which are a cause of or significantly contributes to a violation of any requirement of **KUB's NPDES permit** (including an increase in the magnitude or duration of a violation); or
B. which cause or significantly contribute to an increase in the discharge of pollutants above normal conditions or an increase in the cost of operation of the treatment plants above normal conditions; or

C. which cause or significantly contribute to the prevention of sludge use or disposal by KUB. An industrial user significantly contributes to such interference or prevention of sludge use or disposal whenever such user:

   i. discharges a daily pollutant load in excess of that permitted by the provisions of these Rules and Regulations or by federal or state law and regulations;

   ii. discharges wastewater which substantially differs in nature or constituents from the user’s average discharge; or

   iii. knows or has reason to know that the user’s discharge, along or in conjunction with discharge from other sources, would result in a NPDES permit violation by KUB or would prevent sludge use or disposal.

Knoxville Utilities Board, or KUB, shall mean the Knoxville Utilities Board of the City of Knoxville, Tennessee, or, as the context requires, the management of KUB, its contractors or agents.

Meeting means an informal compliance meeting with the industrial, domestic or commercial user to resolve recurring noncompliance.

Maintenance, operations and management (MOM) program means the program for the efficient and proper operation and maintenance of the wastewater collection system and includes, but is not limited to, a collection system operations plan, a grease management plan, a maintenance management plan and a training program for appropriate personnel of the Wastewater Division of KUB.

Natural outlet shall mean any outlet, including storm sewer overflows, into a water-course pond, ditch, lake or other body of surface or groundwater.

National pretreatment standards or pretreatment standards shall mean any regulation containing pollutant discharge limits promulgated by the EPA in accordance with Section 307 (b) and (c) of the Act (33 U.S.C. 1347), which applies to industrial users. This term includes prohibitive discharge limits established pursuant to Tennessee Rule 0400-40-14-.05.
National pollutant discharge elimination system or NPDES permit shall mean a permit issued to a POTW pursuant to Section 402 of the Act.

New Source means any building, structure, facility or installation from which there is or may be a discharge of pollutants, the construction of which commenced after the publication of proposed Pretreatment Standards under section 307(c) of the Act which will be applicable to such source if such standards are thereafter promulgated in accordance with that section, provided that:

A. The building, structure, facility or installation is constructed at a site at which no other source is located; or

B. The building, structure, facility or installation totally replaces the process or production equipment that causes the discharge of pollutants at an existing source; or

C. The production or wastewater generating processes of the building, structure, facility or installation are substantially independent of an existing source at the same site. In determining whether these are substantially independent, factors such as the extent to which the new facility is integrated with the existing plant, and the extent to which the new facility is engaged in the same general type of activity, as the existing source should be considered.

i. Construction on a site at which an existing source is located results in a modification rather than a new source if the construction does not create a new building, structure, facility or installation meeting the criteria of this section but otherwise alters, replaces, or adds to existing process or production equipment.

ii. Construction of a new source as defined under this paragraph has commenced if the owner or operator has:

a. Begun, or caused to begin as part of a continuous onsite construction program:

1. Any placement, assembly, or installation of facilities or equipment; or

2. Significant site preparation work including clearing, excavation, or removal of existing buildings, structures, or facilities which is necessary for the placement, assembly, or
installation of new source facilities or equipment; or

b. Entered into a binding contractual obligation for the purchase of facilities or equipment, which are intended to be used in its operation within a reasonable time. Options to purchase or contracts which can be terminated or modified without substantial loss, and contracts for feasibility, engineering, and design studies do not constitute a contractual obligation under this paragraph.

Normal domestic wastewater shall be regarded as "normal" for Knoxville. Normal domestic wastewater shall contain a daily average of not more than two thousand five hundred (2,500) pounds (three hundred (300) milligrams per liter) of suspended solids; not more than two thousand (2,000) pounds (two hundred forty (240) milligrams per liter) of B.O.D.; and not more than four hundred seventeen (417) pounds (fifty (50) milligrams per liter) of grease and oil, each, per million gallons.

NONC means Notice of Non-Compliance, which is a verbal or written notice sent to a user who is not complying with the Wastewater Rules and Regulations which may result in issuance of a Notice of Violation if the user does not come into compliance within a specified time frame. It is not required that KUB issue an NONC before taking more stringent enforcement action.

NOV means Notice of Violation, which is a written enforcement action issued to a user who fails to abide by the Wastewater Rules and Regulations that may result in further enforcement action including, but not limited to, termination of water and wastewater services, if the violation is not corrected within a specified time frame.

Pass through means a discharge which exits the treatment plant into waters of the United States in quantities or concentrations which, alone or in conjunction with a discharge or discharges from other sources, is a cause of a violation of any requirement of KUB's NPDES permit (including an increase in the magnitude or duration of a violation).

PC means Pretreatment Coordinator.

Person shall mean any individual, partnership, firm, company, association, society, corporation, limited liability company, trust, estate, governmental entity, or any other legal entity, or its legal representatives, agents, or assigns. This definition includes all federal, state and local governmental entities and shall also include illicit users of wastewater service from KUB.
\( pH \) shall mean the logarithm of the reciprocal of the weight of hydrogen ions in grams per liter of solution. A stabilized \( pH \) will be considered as a \( pH \) which does not change beyond the specified limits of 5.5 to 9.5 when the waste is subjected to aeration.

*Plumbing inspector* shall mean the *plumbing inspector* of the City and the like official for Knox County.

*Pollutant* means any dredged material, spoil, solid waste, incinerator residue, sewage, garbage, sewage sludge, munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discharged equipment, rock, sand, cellar dirt and industrial, municipal, or agricultural waste discharge into water.

*Premises* shall mean any structure, group of structures, or property, whether occupied or unoccupied, operated as a single business, enterprise, or *dwelling unit*, but shall not include more than one *dwelling unit*.

*Pretreatment* or *treatment* shall mean the reduction of the amount of *pollutants*, the elimination of *pollutants*, or the alteration of the nature of *pollutant* properties and wastewater to a less harmful state prior to or in lieu of discharging or otherwise introducing such *pollutants* into the *POTW*. The reduction and alteration can be obtained by physical, chemical or biological process, process changes or by other means, except as prohibited by 40 CFR Section 403.6(d).

*Private Service Lateral* means that portion of a sanitary sewer pipe, including that portion in the public right of way, that extends from KUB’s wastewater main to the single-family, multi-family, apartment or other dwelling unit, or other structure to which wastewater service has been provided. *Private service lateral* does not include connector joints that have been installed by KUB.

*Private wastewater system* is any wastewater system owned and maintained by the *customer*, whose operation is regulated by KUB and entities other than KUB, including but not limited to the applicable local or state regulatory authority.

*Properly shredded garbage* shall mean the wastes from the preparation, cooking and dispensing of food that have been shredded to such degree that all particles will be carried freely under the flow conditions normally prevailing in the *POTW*, with no particle greater than one-half (1/2) inch in any dimension.

*Publicly-owned treatment works* or *POTW* means a treatment works as defined by section 212 of the CWA (33 U.S.C. § 1292), including any devices or systems designed, intended, or used in the collection, storage, *treatment*, recycling and reclamation of wastewater.
Publish, unless otherwise indicated, means the publishing in a newspaper of general circulation the name, address, and date of a user's violation of KUB's Pretreatment Program or Grease Control Program as part of KUB's enforcement response.

Rate is any quantitative value used to determine an amount levied on a customer directly related to the provision of wastewater service, as set forth in a Wastewater Division Rate Schedule adopted by the Board.

Rules and Regulations means the rules and regulations adopted by the Board governing the operation and use of KUB's wastewater system.

Sanitary sewer is a pipe or conduit intended to receive domestic wastewater along with commercial and industrial waste, without the admixture of surface water and storm water.

Sanitary wastewater shall mean wastewater discharging from the sanitary conveniences of dwellings, including apartment houses and hotels, office buildings, factories or institutions, and shall be free from storm, ground, surface and other forms of unpolluted water.

SAR means Semi-Annual Report to the State from KUB.

Sewer shall mean a pipe or conduit for carrying wastewater.

Sewer improvement charge shall mean the amount charged to the owner or occupant of each occupied lot or parcel of land, which is furnished access to wastewater lines to finance and amortize construction of the wastewater system extension.

Sewer service charge and wastewater service charge shall be synonymous and shall mean the amount charged to the customer for operation, maintenance and capital improvements for the wastewater system.

Show Cause Order means an Administrative Order that calls for a formal meeting requiring the industrial user, commercial user, or domestic customer to appear and demonstrate why KUB should not take an appropriate enforcement action against the person. The meeting may also serve as a forum to discuss corrective actions and compliance schedules.

Significant Industrial User.

A. Except as provided in paragraph B. of this section, the term Significant Industrial User means:
i. All industrial users subject to categorical pretreatment standards under 40 CFR 403.6 and 40 CFR chapter I, subchapter N; and

ii. Any other industrial user that: discharges an average of 25,000 gallons per day or more of process wastewater to the POTW (excluding sanitary, noncontact cooling and boiler blow down wastewater); contributes a process waste stream which makes up 5 percent or more of the average dry weather hydraulic or organic capacity of the treatment plant; or is designated as such by the Control Authority as defined in 40 CFR 403.12(a) on the basis that the industrial user has a reasonable potential for adversely affecting the POTW's operation or for violating any pretreatment standard or requirement (in accordance with 40 CFR 403.8(f)(6)).

iii. KUB may determine that an Industrial User subject to categorical Pretreatment Standards is a Non-Significant Categorical Industrial User rather than a Significant Industrial User on a finding that the Industrial User never discharges more than 100 gallons per day (gpd) of total categorical wastewater (excluding sanitary, non-contact cooling and boiler blowdown wastewater, unless specifically included in the Pretreatment Standard) and the following conditions are met:

a. The Industrial User, prior to KUB's finding, has consistently complied with all applicable categorical Pretreatment Standards and Requirements;

b. The Industrial User annually submits the certification statement required in Appendix A Section 24(B) together with any additional information necessary to support the certification statement, and

c. The Industrial User never discharges any untreated concentrated wastewater.

B. Upon a finding that an industrial user meeting the criteria in paragraph (ii) of this section has no reasonable potential for adversely affecting the POTW's operation or for violating any pretreatment standard or requirement, KUB may at any time, on its own initiative or in response to a petition received from an industrial user, and in accordance with 40 CFR 403.8(f)(6), determine that such industrial user is not a significant industrial user.

Significant Non-Compliance or SNC means: An industrial user or commercial user is in significant non-compliance if its violation meets one or more of the
criteria set forth in KUB’s Pretreatment Program (Appendix A) and in accordance with 40 CFR 403.8(f)(2)(vii).

Slug shall mean any discharge of a non-routine, episodic nature, including but not limited to an accidental spill or a non-customary batch discharge, which has a reasonable potential to cause interference or pass through, or in any other way violate KUB’s regulations, local limits or permit conditions.

SRH means Service Renewal Hearing. A meeting with the customer to determine whether service may be restored.

Standard industrial classification or SIC shall mean a classification pursuant to the National Industrial Classification Manual issued by the Executive of the President, Office of Management and Budget, 1972.


Storm sewer or storm drain shall mean a pipe, downspout or conduit, ditch or canal which carries storm and surface waters and drainage, cooling water or other water, but excludes wastewater.

Submission means:

A. A request by KUB for approval of a Pretreatment Program to the EPA or TDEC;

B. A request by KUB to the EPA or TDEC for authority to revise the discharge limits in categorical Pretreatment Standards to reflect KUB pollutant removals; or

C. A request by KUB to the EPA by the State for approval of its State pretreatment program.

Suspended solids shall mean solids that either float on the surface of or are in suspension in wastewater, and which are removable by laboratory filtering.

TBI means Tennessee Bureau of Investigation.

Toxic pollutant shall mean any pollutant or combination of pollutants listed as toxic and which is under regulation promulgated by the administrator or the Environmental Protection Agency under the provision of 33 U.S.C. 1317, Section 307.
Treatment plant means that portion of the POTW, which is designed to provide treatment (including recycling and reclamation of municipal sewage and industrial waste).

Twenty-four-hour flow proportional composite sample shall mean a sample consisting of several effluent portions collected during a twenty-four-hour period in which the portions of sample are proportionate to the flow and combined to form a representative sample.

Unpolluted water is water of quality equal to or better than the effluent criteria in effect or water that would not cause violation of receiving water quality standards and would not be benefited by discharge to the wastewater system.

User shall mean any premise having a connection to the KUB wastewater system or having access thereto. The term shall include illicit users of wastewater service from KUB.

Wastewater and/or wastewater service shall mean the water-carried wastes from residences, business and commercial buildings, institutions and industrial establishments, singular or in any combination together via the KUB wastewater system with such unintended ground, surface and storm water as may be present.

Wastewater Division or division shall mean the part of the KUB system having charge of the physical operation and financial oversight of KUB's wastewater system.

Wastewater main shall mean the principal or major pipes in the wastewater system conveying wastewater.

Wastewater system shall mean all facilities for collecting, pumping, treating and disposing of wastewater and sludge.

Water Management Division Director means one of the Directors of the Water Management Divisions within the Regional offices of the EPA or this person's delegated representative.

Section IV. Initiation of Wastewater Service

1. Residential use. A formal request for either original or additional wastewater service must be made to KUB by the customer and be duly approved by KUB before connection to the KUB wastewater system is made. The receipt by KUB of a prospective customer's request for wastewater service shall not obligate KUB to render wastewater service. KUB may, at its sole discretion, require the customer to provide security,
assurance, or guaranty prior to KUB rendering wastewater service. If the service requested would cause KUB to exceed its capacity to collect, transport or treat the customer's wastewater, or such service cannot be supplied in accordance with KUB's Rules and Regulations and any rules of procedure established to implement these Rules and Regulations, the customer shall not be charged the connection charge and there shall be no liability on the part of KUB to the requestor for the refusal of such service.

2. Commercial and Industrial use; Pretreatment Program; and Grease Control Program  A formal request for either original or additional wastewater service must be made to KUB and be duly approved before connection is made. The request shall be in the prescribed form according to the Pretreatment Program, which program is attached hereto as Appendix A and is incorporated in its entirety into the Rules and Regulations by reference. The receipt by KUB of a prospective customer's request for wastewater service shall not obligate KUB to render the wastewater service. KUB may, at its sole discretion, require the customer to provide security, assurance, or guaranty prior to KUB rendering wastewater service. If the service requested would cause KUB to exceed its capacity to collect, transport or treat the customer's wastewater, or such service cannot be supplied in accordance with KUB's Rules and Regulations, any rules of procedure established to implement these Rules and Regulations, and general practice, the customer's request for services will be denied by KUB and, in such event, the customer shall not be charged the connection charge and there shall be no liability of KUB to the requestor for refusal of such service. All food service facilities whose requests are accepted by KUB shall comply with the provisions of the Grease Control Program attached hereto as Appendix B and which Program is incorporated into these Rules and Regulations by reference.

3. Intergovernmental agreements. At KUB's sole discretion, KUB may receive, treat and dispose of the wastewater of municipalities, utility districts, and unincorporated areas. Any person owning or controlling premises located beyond the current KUB wastewater system desiring to install a plumbing system for the purpose of discharging domestic wastewater and/or industrial waste into the wastewater system of KUB must comply with all applicable federal, state and local laws, ordinances, regulations and KUB's Rules and Regulations and any rules of procedure established to implement these Rules and Regulations. KUB may enter into an agreement with said municipalities and unincorporated areas at KUB's sole discretion. There shall be no liability on the part of KUB to the requestor for refusal of such service.

4. Private wastewater systems. At KUB's sole discretion, KUB may receive, treat and dispose of the wastewater of private wastewater
systems within or without the current KUB wastewater system area of service. Any person owning or controlling premises either within or without the current KUB wastewater system area of service desiring to install a plumbing system for the purpose of discharging domestic wastewater, commercial and/or industrial waste into the wastewater system of KUB must comply with all applicable federal, state and local laws, ordinances, regulations and KUB’s Rules and Regulations and any rules of procedure established to implement these Rules and Regulations. KUB may enter into an agreement with said persons at KUB’s sole discretion. There shall be no liability on the part of KUB to the requestor for refusal of such service.

Section V. Connections to KUB Wastewater System

1. Availability. Wastewater service shall be deemed available if: (1) The property is improved with structures; (2) occupied structures are within 300 linear feet of the wastewater system; (3) the wastewater system contains sufficient capacity to allow for the collection, transportation and treatment of the added wastewater volume; and (4) either wastewater mains of sufficient depth to allow gravity flow from the main floor are adjacent to any property line or a pressurized wastewater private service lateral connection to the wastewater main is provided at the property line.

Notwithstanding the preceding requirements, wastewater service will not be considered available if: (1) the wastewater system is farther than 50 feet from the customer’s property line; (2) an easement is required on a separate parcel to access the wastewater system; (3) a railroad crossing permit is required to access the wastewater system; or (4) a body of water or wetland lies between the occupied structure and the wastewater system that would prohibit the installation.

The premises will be further evaluated to determine availability of wastewater service by KUB, in its sole discretion, if: (1) wastewater main depth is in excess of 12 feet; (2) wastewater main size is greater than 12 inches; (3) a storm drain, other utility, road embankment, concrete barrier or other obstruction impedes the installation; or (4) there are other special situations not provided for in these Rules and Regulations.

2. Connections; inspection and rehabilitation of private service laterals.

A. All connections to KUB wastewater mains are to be made in accordance with all applicable KUB standards and specifications.
All costs and expenses incident to the installation, connection and inspection of the private service lateral shall be borne by the owner. If for any reason a connection cannot be made in accordance with KUB standards and specifications, exceptions may be approved by KUB, at its sole discretion.

B. The Plumbing Inspector for the City for connections within the City and the appropriate regulatory authority for the area of connection outside the City must inspect and approve the wastewater service connection and all private service laterals before any underground portion is covered and/or placed in service.

C. Whenever it comes to KUB’s attention that a private service lateral may contain defects and or improper connections that (1) are potential sources to the wastewater system of extraneous ground or surface water infiltration and inflow (“II”) that may cause or contribute to wet weather overflows in the wastewater system, (2) allow for the possible exfiltration of wastewater onto or below the surface of the ground that could then enter the City’s municipal separate storm sewer system, or (3) allow roots/debris to enter the wastewater system through cracks, holes or poorly sealed joints thus restricting flow and leading to possible dry weather or wet weather overflows in the wastewater system reflecting that there has been a failure on the part of the property owner or user to maintain the private service lateral, in accordance with KUB’s standards and specifications and the Standard Plumbing Code of the City in violation of these Rules and Regulations, written notice shall be given by KUB to such customer, user, or if a different person, owner or duly authorized agent, of such failure. The notice, with a copy to the City’s Plumbing Inspector, will provide, to the extent such information is available, (i) details concerning lateral age, material, and construction standards, (ii) photos of smoke in vicinity of the private service lateral, (iii) mainline CCTV images of dyed water discharging from the private service lateral, (iv) CCTV photos of the interior of the private service lateral and (iv) written description of dye testing procedures used to identify cross connections or illicit discharges.

Such notice may be given either by personal service on the customer, user, or if a different person, owner, or duly authorized agent, or by certified letter addressed to the last known place of residence of such customer, user, or if a different person, owner or his duly authorized agent; and proof of the mailing of such letter shall satisfy that the notice requirement has been accomplished.
In the case of nonresident or unknown owners, service of the notice may be made by publication in a daily newspaper, published in the City or in a newspaper of general circulation within the service area, for a period of three (3) days. Upon completion of such publication, the notice requirement will be satisfied.

The notice in each case shall specify what is required of the customer, user, or if a different person, owner with respect to the private service lateral, in order to bring same into compliance with the standards, specifications, the Code and these Rules and Regulations. The notice shall advise the customer, user, or if a different person, owner that a plumbing permit must be obtained and the repair work completed by no later than one hundred twenty (120) days of the date of service of the notice, or, the customer, user, or if a different person, owner must initiate an appeal in accordance with the appeals process set forth in these Rules and Regulations. If the customer, user, or if a different person, owner fails to complete the work in the specified time or timely appeal such requirement, then the customer, user, or if a different person, owner may be subject to a finding of violation by KUB and be subject to enforcement in accordance with the provisions of these Rules and Regulations, which may include, at KUB’s sole discretion, termination by KUB of water and/or wastewater services.

D. Private service laterals that have been previously used but have been abandoned may be used in connection with new buildings only when approved by KUB and applicable local plumbing code. Abandoned private service laterals must be discontinued according to the standards and specifications of KUB.

E. KUB may, at its sole discretion, inspect private service laterals to ensure proper operation and condition of such private service laterals in order to protect the KUB wastewater system.

F. Each individual property owner shall be entirely responsible for the maintenance, including repair and rehabilitation, of the private service lateral in accordance with KUB’s standards and specifications and these Rules and Regulations, and the most recent Standard Plumbing Code, as modified and adopted by the City or the appropriate regulatory authority for the area of connection outside of the City. However, KUB may, in its sole discretion, as a courtesy to the property owner, elect to be responsible for the repair and rehabilitation of the portion of the private service lateral located in the public right-of-way (the portion of the private service lateral extending from or near the property line to KUB’s wastewater main).
3. Prohibited connections

A. A connection which discharges any substance or solution which is not intended to be transported via the wastewater system is prohibited. In addition to the prohibitions contained in the Pretreatment Program (Appendix A), prohibited substances and solutions include, but are not limited to, storm water surface water, groundwater, roof run-off, subsurface drainage, unpolluted water, cooling water, and grease. Connections which discharge prohibited substances into KUB’s wastewater system include, but are not limited to, storm sewers, storm drains, downspouts, leaking private service laterals or similar connections.

B. The person who is discharging or causing to be discharged any prohibited substance or solution shall stop such discharge or bring the discharge into compliance with all applicable federal, state and local laws and KUB’s standards and specifications and these Rules and Regulations.

4. Required connections

Any owner, tenant or occupant of a lot or parcel of land, upon which a building exists for residential, commercial or industrial use, shall be required to make a direct connection of such building to the KUB wastewater system, provided wastewater service is available as defined under Section V. (1.). Where wastewater service is available, it will be presumed that the required connection has been made and the owner, tenant or occupant will be billed for wastewater service. In the event KUB has knowledge that any such building is not connected to the KUB wastewater system, KUB reserves the right, in accordance with Tennessee state law (T.C.A. 7-35-201), and in addition to any other right or remedy it may have, to (a) refuse water service to such owner, tenant or occupant until such building is connected to the KUB wastewater system or (b) discontinue water service to such owner, tenant or occupant failing to connect such building to the KUB wastewater system within the time specified in the notice from KUB of the requirement to connect, but in no event later than one hundred eighty days (180) days from the receipt of such notice from KUB.

Section VI. Interruption of Wastewater Service

KUB shall not be liable for any damage resulting from failure of any KUB wastewater system component, or by discontinuing the operation of any segment of its wastewater system for repair, extensions or connections, or from the accidental failure of its wastewater system from any cause whatsoever or the termination of water and wastewater services as the result of violations by any
customer, user, and if a different person, owner, of any applicable federal, state and local laws and/or these Rules and Regulations and any rules of procedure established to implement these Rules and Regulations. In cases of emergency, KUB shall have the right to restrict the use of its wastewater system in any reasonable manner for the protection of KUB’s wastewater system, customers, the public, and the environment.

Section VII. Termination of Wastewater Service; Refusal to Connect Wastewater Service

KUB has the right to terminate or refuse wastewater service to a customer by discontinuing water or wastewater service based on limited capacity of its wastewater system, outstanding debts owed to KUB related to the non-payment of utility bills, a dispute as to the ownership or right to occupancy of the premises requesting wastewater service, a violation of these Rules and Regulations, a violation of a customer contract, a violation of any rules of procedure established to implement these Rules and Regulations, non-payment of a utility bill by the customer, a violation of any other applicable rule, law, or ordinance, or any other legitimate reason deemed in KUB’s best interests and the best interests of KUB’s wastewater system.

Section VIII. Rates for Wastewater Service

Wastewater service rates shall be set forth in the Wastewater Division Rate Schedules as adopted by the KUB Board.

Section IX. Wastewater Charges

Charges for wastewater service shall be based upon the Rate Schedules of the Wastewater Division as adopted by the KUB Board.

1. Single-point delivery. The rates included in the Rate Schedules of the Wastewater Division are based upon the supply of service to the entire premises through a single delivery and metering point. If service is rendered to any customers or premises through more than one delivery point, KUB reserves the right to meter and to bill each such delivery point as a separate service.

2. Multiple services through a single meter. In the event KUB allows more than one customer or premise to be served through a single service line and meter, the amount of water used by all the customers and premises served through a single service line and meter shall be allocated to each separate customer or premise thus served in such a manner as determined by KUB in its sole discretion. The wastewater charge for each such customer or premise thus served shall be computed just as if each such customer or premise had received
through a separately metered service the amount of water so allocated to it, such computation to be made at KUB's applicable wastewater rates, including the provisions as to minimum bills. The separate charges for each customer or premise served through a single service line and meter shall then be added together and the sum thereof shall be billed to the customer in whose name the service is supplied.

3. **Secondary meters.** Any customer that desires to use a secondary meter to reduce wastewater charges for water not discharged to KUB's wastewater system must request such service from KUB. All costs and expenses incident to the installation of the secondary meter shall be borne by the customer. Once installed, the secondary meter shall become the property of KUB's wastewater system.

4. **Wastewater meters.** Any customer that needs to use a wastewater meter to separately meter discharges to the wastewater system must request such service from KUB. KUB may authorize the use of a wastewater meter at its sole discretion. All costs and expenses incident to the installation of the wastewater meter shall be borne by the customer. Once connected, the wastewater meter shall become property of KUB's wastewater system.

5. **Alternate water supplies.** Individuals with dwellings with wells or sources of water supply other than municipal water supplies that are available and/or subject to discharge to the wastewater system will be charged for wastewater services at the sole discretion of KUB.

**Section X. Billing for Wastewater Service**

The billing for wastewater service shall be in accordance with the Rate Schedules of the Wastewater Division as adopted by the Board and this section of these Rules and Regulations.

1. **Minimum charges.** The minimum charge, if any, will be as stated in the Rate Schedules of the Wastewater Division.

2. **Due dates.** Wastewater service bills must be paid on or before the due date shown, otherwise a late fee shall be applied. Failure to receive a bill will not release a customer from payment obligations, nor extend the due date. In the event bills are not paid on or before the due date, water service and/or wastewater service may be discontinued and not resumed again until all bills are paid, and KUB shall not be liable for damages on account of discontinued service at any time after the due date, even though payment of such bills be made on the same date either before or after service is actually discontinued.
3. **Estimated billing.** KUB may periodically estimate a customer's wastewater use and submit to customer for payment such estimated service bill.

4. **Billing adjustments.** KUB may adjust customer billing for reasons including but not limited to the following: billing for over or under registration of meters, for leaks, for the determination of water use by customers when meters have been inoperative, for an obviously incorrect meter reading, or for other recognized and proper adjustments as are determined by KUB.

**Section XI. Authority to Levy Charges and Fees**

Under the provisions of the City Charter and of the general laws of the State of Tennessee, KUB is authorized and empowered to fix, levy and collect fees, rents, tolls or other charges for the use of or in connection with the KUB wastewater system. This authorization includes but is not limited to the establishment, levy and collection of a service charge, connection charge, improvement charge, extra strength surcharge, or other charges deemed necessary. The CEO and/or his/her designee may establish policies addressing the establishment of charges and fees associated with wastewater service.

**Section XII. KUB Wastewater System Extensions**

1. **General Extension Policy**

   A. The investment that KUB will make, if any, toward an extension of the KUB wastewater system will be equitably determined by KUB on the basis of economic and/or technical feasibility. In making such determination, KUB shall consider the total capital cost, the anticipated revenues, the estimated expenses associated with the extension, such other economic factors as KUB may deem appropriate under the circumstances and the availability of adequate collection, transportation and treatment capacity in the wastewater system. KUB may require the person to pay a CIAC.

   B. Persons desiring wastewater system extensions to and within new developments, including but not limited to land development projects and new subdivisions, shall be required to design and install all wastewater mains and related facilities to support the new development. In addition, such persons shall be required to pay a tap fee toward the cost of connecting the wastewater mains in the new development to the wastewater system.

   C. KUB may require the person to execute an extension agreement which requires and/or provides for assurances or other security or credit arrangements as may be required by KUB in its sole
discretion, with respect to the extension, including, but not limited to, refundable construction advances, minimum demand or bill requirements, and such other forms of security, assurance, and/or guaranty, as KUB determines to be necessary or appropriate to protect the interest of KUB and its customers. KUB shall not be obligated to provide refunds unless specified in a contract. In no event shall a refund be in excess of the amount of the advance for or actual cost of construction.

D. KUB shall have the authority to extend its wastewater system in a manner different from that set forth in these Rules and Regulations and charge a CIAC when any such extension is determined to be in the best interest of KUB, economic interest of the community, or to the benefit of the public health of the community.

E. The authority to make wastewater system extensions is in KUB's sole discretion even though all requirements have been met. Nothing contained herein shall be construed as requiring KUB to extend wastewater service to any property. KUB wastewater system extensions shall not be denied on the basis of race, sex, religion, color, age or national origin.

2. Construction of KUB Wastewater System

A. KUB's wastewater system shall be constructed by KUB personnel or by a contractor acceptable to KUB.

B. The size, type, and installation of wastewater system components shall comply with KUB's standards and specifications and must be approved by KUB.

C. Construction work on KUB's wastewater system shall at all times be subject to inspection by KUB to assure that the work conforms to KUB's standards and specifications.

D. No approval or inspection by KUB hereunder shall relieve the customer, person or the contractor of the customer or person of any liability for work performed on the KUB wastewater system.

E. Upon the completion of construction and subsequent inspection and approval by KUB such construction shall become the property of KUB and thereafter become a part of KUB's wastewater system. The persons paying the cost of construction shall execute any written instrument requested by KUB to provide evidence of KUB's title. In consideration of such being transferred to KUB, KUB shall
incorporate such as an integral part of KUB's wastewater system in accordance with these Rules and Regulations.

F. KUB may, at the request of a person, relocate or change existing KUB wastewater system components. The person may be required to reimburse KUB for costs of such relocation or change including but not limited to appropriate overheads and associated costs for easement acquisitions. When a public right-of-way is changed for the benefit of private interests and KUB's wastewater system must be adjusted to accommodate said change, the cost of such adjustments shall be paid in advance on a non-refundable basis by the requesting parties.

3. Construction and Responsibility for Private Wastewater Systems. KUB reserves the authority to allow and/or deny private wastewater systems within the KUB wastewater system service territory. Any such private wastewater system shall be approved by KUB and any other governing entities, including but not limited to the applicable local or state regulatory authority. The owner of the private wastewater system, such as the developer, the developer's legally authorized successor, property owner, etc. shall retain ownership of and be responsible for all operation and maintenance of the private wastewater system. If determined by KUB that the private wastewater system violates any applicable federal, state or local laws, or regulations or these Rules and Regulations, then KUB has the authority to require the owner of the private wastewater system to rectify the violation at the owner of the private wastewater system's expense. KUB has the authority and reserves the right to enter on the property and to rectify the violation and seek reimbursement from the owner of the private wastewater system for fees, violations, and costs borne by KUB to rectify the violation.

Section XIII. Intergovernmental Agreements

At KUB's sole discretion, KUB may enter into contracts with any municipality, county, incorporated district, or other governmental entity or agency or any person, firm or corporation for the treatment and disposal of wastewater collected and pumped or delivered to some part of the KUB wastewater system, provided, however, that the charges to be paid for the treatment and disposal of such wastewater shall not be less than an amount which is fair and equitable, in accordance with the applicable Rate Schedule of the Wastewater Division, taking into account the cost to KUB of the treatment and disposal and other costs to its Wastewater Division.
Section XIV. KUB Wastewater System

KUB has the authority to prevent the introduction of pollutants into its wastewater system that will interfere with the operation of the wastewater system or treatment plants; contaminate sewage sludge; cause a violation of any federal or state permit (i.e. NPDES Permit), order or consent decree; or cause deterioration in KUB’s wastewater collection system, force mains, pumping stations, and all other structures appurtenant to KUB’s wastewater system. The Board shall adopt Rules and Regulations for the prevention of pollutants into KUB’s wastewater system, including but not limited to provisions addressing compliance with federal and state law, final orders and consent decrees, permitting requirements for KUB’s wastewater system, treatment plants, inspections and permitting of hauled waste providers, etc.

Section XV. Wastewater Rules and Regulations Enforcement

1. Violation deemed public nuisance. It shall constitute a public nuisance and shall be unlawful for any customer, user, and if a different person, owner to discharge into or otherwise use KUB’s wastewater system in any manner in violation of these Rules and Regulations or of any condition of an industrial or commercial discharge permit.

2. KUB to notify customer of violation. Whenever KUB determines or has reasonable cause to believe that a discharge into or other use of KUB’s wastewater system has occurred in violation of these Rules and Regulations, the customer’s, user’s, and if a different person, owner’s wastewater discharge permit, or any other applicable law or regulation, then KUB shall notify the customer, user, and if a different person, owner of such violation. Failure of KUB to provide notice of a violation to a customer, user, and if a different person, owner shall not in any way relieve the customer, user, and if a different person, owner from any consequences of such a discharge or the customer’s, user’s, and if a different person, owner’s responsibility to fully comply with the applicable requirements.

3. Conciliation Meeting. KUB may, but shall not be required to, invite the customer, user, and if a different person, owner and/or representatives of the customer, user, and if a different person, owner to a conciliation meeting to discuss the violation and methods of correcting the cause of violation. Such additional meetings as KUB and the customer, user, and if a different person, owner deem advisable may be held to resolve the problem. If the customer, user, and if a different person, owner and KUB can agree to appropriate remedial and preventative measures, they shall commit such agreement to writing with provisions for a reasonable compliance
schedule and the schedule shall be incorporated as a supplemental condition to the customer’s, user’s, and if a different person, owner’s wastewater discharge permit, if applicable. KUB may terminate the conciliation process and commence enforcement action at any time to assure customer’s, user’s, and if a different person, owner’s compliance.

4. **Show cause hearing.** KUB may issue a show cause notice to the customer, user, and if a different person, owner directing the customer, user, and if a different person, owner to appear before the designated KUB official at a specified date and time to show cause why the customer, user, and if a different person, owner should not be issued a civil penalty, have the customer’s, user’s, and if a different person, owner’s wastewater discharge permit, if applicable, modified, suspended, or revoked, or have the customer’s, user’s, and if a different person, owner’s water and/or wastewater services terminated, for causing or suffering a violation of these Rules and Regulations or other applicable laws or regulations. At least fourteen (14) days prior to the scheduled show cause hearing date, KUB will mail to the customer, user, and if a different person, owner, via certified mail, return receipt requested, or shall personally deliver to the customer, user, and if a different person, owner written notice of the nature of the violation, any proposed changes to the customer’s, user’s, and if a different person, owner’s wastewater discharge permit, if applicable, and/or other control techniques necessary to rectify the violation.

5. **Injunctive Relief.** Upon a decision by the President and CEO, KUB shall have the right to file in circuit or chancery court of Knox County, Tennessee, or such other courts as may have jurisdiction, a suit seeking the issuance of an injunction, damages, and/or other appropriate relief to enforce the provisions of these Rules and Regulations and/or any and all applicable federal, state, and local laws and regulation(s). Suit may be brought to recover any and all damages, fines, and expenses suffered by KUB as a result of any action or inaction of any customer, user, and if a different person, owner who causes damage to occur to KUB’s wastewater system or for any other expense, loss, or damage of any kind or nature suffered by KUB, including but not limited to, any penalties or fines imposed on KUB as the result of the violations of the customer, user, or if a different person, owner.

6. **Assessment of damages.** When a discharge into KUB’s wastewater system in violation of these Rules and Regulations and/or any applicable federal, state or local law and regulation occurs and causes an obstruction, damage, or any other impairment of KUB’s wastewater system, or any expense of whatever character or nature to KUB, then
KUB may assess the expenses it incurred to remedy the violation, clear the obstruction, repair damage to its wastewater system, and any other expense or damage incurred by KUB. KUB shall send a written claim to the customer, user, and if a different person, owner causing said damages to occur seeking reimbursement for any and all expenses or damages suffered by KUB. KUB may take such measures as shall be appropriate to recover any damages or other expense suffered by KUB, plus reasonable attorney's fees, if the claim is not paid by the customer, user, and if a different person, owner within 14 days or such other time as KUB shall specify of the date such claim was served on the customer, user, and if a different person, owner by personal service or by sending a registered letter to the customer, user, and if a different person, owner.

7. Petition for federal or state enforcement. In addition to other remedies for enforcement provided herein, KUB may petition the State of Tennessee or the United States Environmental Protection Agency, as appropriate, to exercise such methods or remedies as shall be available to such government entities to seek criminal or civil penalties, injunctive relief, or such other remedies as may be provided by applicable federal or state law to insure compliance by customers, users, and if a different person, owners of applicable pretreatment standards, to prevent the introduction of toxic pollutants or other regulated pollutants into the KUB wastewater system, or to prevent such violations of applicable federal, state and local laws or other water pollution as may be regulated by state or federal law.

8. Emergency termination of service. In the event of an actual or threatened discharge by any customer, user, and if a different person, owner to KUB's wastewater system which, in the sole opinion of KUB, presents or may present an imminent and substantial endangerment to the health or welfare of any person or the environment, or cause interference with the wastewater system, then in addition to any other remedy KUB has available to it, KUB reserves the right to immediately terminate water and wastewater service to said customer, user, and if a different person, owner causing the emergency and require assistance in abating the emergency until the emergency situation has been abated or corrected at the expense of the customer, user, and if a different person, owner causing the emergency. Nothing herein is intended to limit KUB's right to terminate water and wastewater services for any other reason provided for in these Rules and Regulations or federal or state laws.
9. Civil penalties and/or termination of services for violations of these Rules and Regulations.

A. Any person who:

i. Violates an effluent standard or limitation;

ii. Violates the terms or conditions of a wastewater discharge permit

iii. Fails to complete a filing or reporting requirement

iv. Fails to perform or properly report any required monitoring

v. Violates any provision of 40 CFR Part 400 Subchapter N-Effluent Guidelines and Standards as may be amended, revised, or modified from time to time

vi. Violates any provision of T.C.A. 69-3-101 et. seq., as may be amended or modified from time to time by an act of the Tennessee General Assembly

vii. Violates a final order or determination of the Appeals Board

viii. Fails to pay any established wastewater service charge, fine, penalty or industrial cost recovery charge; or

ix. Otherwise violates any applicable federal, state or local law or regulation, or any of the provisions of these Rules and Regulations

may, at KUB's sole discretion, and after receipt of a notice of violation, be subject to (a) a civil penalty of up to ten thousand dollars ($10,000.00) per violation, (b) termination of water and/or wastewater services, (c) the suspension, modification or revocation of permit, if applicable, or any condition thereof, or (d) any combination thereof.

B. Each violation shall constitute a separate offense and each day of violation shall be deemed a separate and distinct violation.

C. In assessing civil penalties KUB may consider the following:

i. Magnitude of the violation

ii. Duration of the violation
iii. Effect of the violation on KUB's wastewater system

iv. Compliance history of the customer, user, and if a different person, owner

v. Good faith efforts of the customer, user, and if a different person, owner to correct the violation

vi. Economic benefit derived by the customer, user, and if a different person, owner as the result of the violation

vii. The customer's, user's, and if a different person, owner's ability to pay

10. Enforcement Response Guides for Pretreatment Program and Grease Program Violations. The Enforcement Response Guide-Pretreatment Program, attached to these Rules and Regulations as Appendix C and the Enforcement Response Guide-Grease Program, attached to these Rules and Regulations as Appendix D, both of which are incorporated herein by reference, contain the general procedures summarizing how KUB investigates and responds to instances of industrial user and commercial user violations under the Pretreatment Program (Appendix A) and the Grease Control Program (Appendix B), respectively.

Section XVI. Appeals Board.

1. Duties and powers of the Appeals Board. KUB shall have an appeals board consisting of the Rules and Regulations Oversight Committee and others as may be appointed by the President and CEO from time to time (the "Appeals Board"). The COO shall serve as the chairman of the Appeals Board and shall appoint an acting chairman from the other members of the Oversight Committee in the event the COO is unable to attend a meeting of the Appeals Board. The Appeals Board shall have the authority to:

A. Hear an appeal brought by a KUB customer, user, and if a different person, owner for any enforcement action taken by KUB in connection with these Rules and Regulations, or related to KUB's enforcement of a wastewater discharge permit, or any federal, state, or local law or regulation provided that said enforcement action results in a civil penalty and/or termination of service;

B. Grant exceptions pursuant to the pretreatment and treatment provisions of these Rules and Regulations and to determine such issues of law and fact necessary to perform this duty;
C. Hold hearings upon appeals from orders or actions of KUB as may be provided under any provisions of these Rules and Regulations or federal, state, and local laws and regulations;

D. Issue subpoenas requiring attendance and testimony of witnesses and the production of documentary evidence relevant to any matter properly heard by the Appeals Board;

E. Administer oaths to those persons giving testimony before the Appeals Board.

2. Right to Appeal. A customer who claims to be aggrieved in connection with a finding by KUB of a violation of these Rules and Regulations or of a wastewater discharge permit, if applicable, that results in the issuance of a civil penalty; and/or of the termination of water and wastewater services, (except no appeal may be made for the emergency termination of services in accordance with Section XV, paragraph 8 of these Rules and Regulations or the Emergency Suspension of Services, Section VII.A., of the Grease Control Program, Appendix B) may file an appeal with the Appeals Board. The appeal must be submitted to the Appeals Board in writing within fourteen (14) days of receiving from KUB the notice of a finding of violation by the customer of these Rules and Regulations, or the violation of a wastewater discharge permit, if applicable, that results in the issuance of a civil penalty, or the termination of water and wastewater services by KUB as the result of such finding of violation.

3. Appeals Board hearing procedures.

A. The Appeals Board shall schedule an adjudicatory hearing to resolve disputed questions of fact and law whenever provided by a provision of this Section.

B. At any such hearing, all testimony presented shall be under oath or upon solemn affirmation in lieu of oath. The Appeals Board shall make a record of such hearing, but the record need not be a verbatim record. Any party coming before the Appeals Board shall have the right to have said hearing recorded stenographically or electronically, but in such event the record need not be transcribed unless any party seeks judicial review of the order or action of the Appeals Board by common law writ of certiorari, and in such event the parties seeking such judicial review shall pay for the transcription and provide the Appeals Board with the original of the transcription so that it may be certified to the court.
C. The chairman of the Appeals Board, or his designee, may issue subpoenas requiring attendance and testimony of a witness or the production of evidence, or both. A request for the issuance of a subpoena shall be made by lodging with the Appeals Board at least ten (10) days prior to the scheduled hearing date a written request for a subpoena setting forth the name and address of the party to be subpoenaed, and identifying any evidence to be produced. Upon endorsement of a subpoena by the chairman of the Appeals Board, the same shall be delivered to the chief of police for service by any police officer of the City. If the witness does not reside in the City, the Appeals Board shall issue a written request that the witness attend the hearing.

D. Upon agreement of all parties, the testimony of any person may be taken by deposition or written interrogatories. Unless otherwise agreed, the deposition shall be taken in a manner consistent with the most recent version of Rules 26-33 of the Tennessee Rules of Civil Procedure, with the Appeals Board or its designee to rule on such matters as would require a ruling by the court under said rules.

E. The party bringing the appeal bears the affirmative burden of proof and shall first call his witness, to be followed by the witness called by other parties, to be followed by any witness that the Appeals Board may desire to call. Rebuttal witnesses shall be called in the same order. The chairman of the Appeals Board, or his designee, shall rule on any evidentiary questions arising during such hearing, and shall make such other rulings as shall be necessary or advisable to facilitate an orderly hearing subject to the approval of the Appeals Board. The Appeals Board, the representatives of KUB, and all parties shall have the right to examine any witness. The Appeals Board shall not be bound by or limited to rules of evidence applicable to legal proceedings.

F. Any customer aggrieved by any order or determination by KUB pertaining to the customer’s violation of these Rules and Regulations, which includes the issuance of civil penalties may appeal said order or determination to the Appeals Board under the provisions of this section. A written notice of appeal shall be filed with the COO and said notice shall set forth with particularity the action or inaction of KUB complained of and the relief sought by the customer filing said appeal. A special meeting of the Appeals Board may be called by the chairman upon the filing of such appeal, and the Appeals Board may, in its discretion, suspend the operation of the order or determination of KUB appealed from until such time as the Appeals Board has acted upon the appeal.
Provided, however, that actions and determinations of KUB under the provisions of Section XV, paragraph 8, “Emergency Termination of Service,” and under provisions of Section VII.A., “Emergency Suspension of Services”, of the Grease Control Program (Appendix B) inclusive shall not be subject to review by the Appeals Board.

G. Any person aggrieved by any final order or determination of the Appeals Board hereunder shall have the right of judicial review in the appropriate state court by common law writ of certiorari.

4. **Scope of Authority.** The Appeals Board shall address administrative related matters exclusively; it shall not have the authority to establish, amend or revoke Rules and Regulations or to make policy decisions.

5. **Adequate Staffing.** KUB shall provide such staff services as may be required for the efficient and effective operation of the Appeals Board through its Wastewater Division.
June 10, 2016

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

Commissioners:

Resolution 1348 requests condemnation authority of three parcels, representing three property owners, in the Strawberry Plains Pike area. The authority is needed in order to replace and upgrade an existing 69kV transmission line that connects the Trentville and Ramsey substations in east Knox County.

We have obtained 74 easements from property owners for this project and are continuing to work to achieve consensus with the remaining property owners. However, to avoid delays to the construction schedule, KUB would like to be in a position to move forward with condemnation if necessary. Further information about the parcels is included for your review.

I recommend adoption of Resolution 1348.

Respectfully submitted,

Mintha Roach
President and CEO

Enclosures
RESOLUTION NO. 1348

A Resolution Authorizing the Condemnation and the Taking of Electric Utility Easements as May Be Necessary in Support of KUB's Strawberry Plains Pike 69kV Transmission Line Project

Whereas, supplying the public need and demand for electric service makes it necessary and desirable for KUB to rehabilitate and improve the electric system and all related equipment (the "Facilities") on a portion of three certain properties located in the Strawberry Plains Pike area of Knox County, Tennessee and being more particularly described on Knox County Tax Maps: CLT 73H Parcel A29; CLT Map 84 Parcel 43; CLT Map 84 Parcel 6405; and

Whereas, KUB is making improvements to the Facilities in the Strawberry Plains Pike area to serve the needs of the community; and

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

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

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

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

Section 1. That this Board finds and declares:

(a) That public convenience and necessity require the installation of the Facilities in the easements for the properties described herein, so as to provide adequate utility service to the public, including the present and prospective customers of KUB's electric system.

(b) That the cost of the easements, as mentioned in the preceding paragraph, shall be paid from appropriations heretofore made by this Board for the operation and construction program of the Electric Division.
(c) That for the purpose of placing, constructing, repairing, maintaining, rehabilitating, improving and replacing the Facilities on the properties described herein, there shall be condemned such permanent utility and access easements and such temporary construction easements across the aforementioned properties, as may be determined to be necessary by the President and CEO or her designee.

Section 2. That the President and Chief Executive Officer and the General Counsel for KUB, are hereby authorized and directed to take all action and do all things necessary or desirable for the acquisition of said 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 this resolution shall take effect upon its passage.

__________________________________________
Nikitia Thompson/s
Nikitia Thompson, Chair

__________________________________________
Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 6-16-16
EFFECTIVE DATE: 6-16-16
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