

a

**Board Meeting Agenda
Thursday, August 18, 2016
Noon**

Call to Order

Roll Call

Approval of Minutes

Official Action

Resolution 1349 – A Resolution Amending the Rate Schedules of the Gas Division Providing for Certain Changes to the Gas Transportation Rate Schedules, By Amending Section 2 of Resolution No. 1060, as Heretofore Amended

President's Report

Other Business

Public Comments

Adjournment



Knoxville Utilities Board

August 12, 2016

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

Commissioners:

As you may recall, KUB's Gas Division Rate Schedules include rate schedules for firm and interruptible transportation service, which allow large commercial and industrial customers to purchase gas from suppliers other than KUB, with such gas in turn delivered (or transported) by KUB to the customers' facilities.

KUB's transportation service rate schedules provide for KUB, under certain conditions, to issue an Operational Flow Order (OFO) that requires the customer to adjust the amount of gas to be delivered to KUB by its supplier. An example of a condition for which KUB may issue an OFO is to avoid penalties from its connecting interstate pipeline, East Tennessee Natural Gas (ETNG). These rate schedules permit KUB to assess charges for unauthorized gas, which in the case of an OFO, results when the customer's supplier fails to schedule the appropriate amount of gas required by the OFO. In determining the level of unauthorized gas charges, KUB utilizes the same pricing indices used by ETNG to assess penalties for unauthorized gas.

ETNG recently had modifications to its tariff rates approved by the Federal Energy Regulatory Commission (FERC), which, among other things, changed the pricing indices associated with determined unauthorized gas charges. As a result, KUB needs to modify its transportation rate schedules to remain consistent with ETNG's pricing of such charges.

Resolution 1349 amends the rate schedules for transportation service to provide for changes in the pricing of unauthorized gas charges in order to remain consistent with ETNG's pricing of such charges.

I recommend approval of Resolution 1349 on first and final reading.

Respectfully submitted,

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

Mintha E. Roach
President and CEO

Enclosures

RESOLUTION NO. 1349

A Resolution Amending the Rate Schedules of the Gas Division Providing for Certain Changes to the Gas Transportation Rate Schedules, By Amending Section 2 of Resolution No. 1060, as Heretofore Amended

Whereas, the Knoxville Utilities Board of Commissioners (“Board”) previously adopted Resolution 1060, as heretofore amended, providing rate schedules for the Gas Division of the Knoxville Utilities Board (“KUB”); and

Whereas, the rate schedules of the Gas Division include transportation rate schedules which allow large commercial and industrial customers to purchase gas from suppliers other than KUB, and such gas is in turn delivered (transported) by KUB to the customer’s facilities; and

Whereas, KUB is served by East Tennessee Natural Gas pipeline (“ETNG”) which is owned by Spectra Energy; and

Whereas, ETNG may from time to time restrict deliveries on its system through use of an “Operational Flow Order” (OFO) and assess charges for unauthorized gas deliveries associated with the OFO; and

Whereas, the Federal Energy Regulatory Commission (“FERC”) recently approved changes to ETNG tariff rates associated with charges for such unauthorized gas deliveries; and

Whereas, KUB may from time to time restrict deliveries on its system through use of an OFO and assess charges for unauthorized gas deliveries associated with the OFO; and

Whereas, KUB has historically utilized the same pricing indices as ETNG when assessing unauthorized gas charges; and

Whereas, the Board has determined, upon recommendation from KUB Staff, that it is appropriate to amend the “Unauthorized Gas Charge” specified in Gas Division Rate Schedules G-11 and G-12 in order to remain consistent with ETNG’s pricing of such charges; and

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

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

Section 1. That the Gas Division Rate Schedules entitled “G-11 Interruptible Transportation Gas Service” and “G-12 Commercial and Industrial Firm Transportation Gas Service” as set forth in Section 2 of Resolution No. 1060, as heretofore amended, are deleted in their entirety and replaced with the rate schedules set forth in Exhibit A to this Resolution, to be effective October 1, 2016.

Nikitia Thompson, Chair

Mark Walker, Board Secretary

APPROVED ON 1st
READING: _____
APPROVED ON 2nd
READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK ___ PAGE _____

**RESOLUTION 1349
EXHIBIT A
TRANSPORTATION RATE SCHEDULES OF THE GAS DIVISION
EFFECTIVE OCTOBER 1, 2016**

RATE SCHEDULE G-11

INTERRUPTIBLE TRANSPORTATION GAS SERVICE

Definitions

“Customer” means a person or entity contracting with or otherwise receiving service from KUB for interruptible transportation gas service under Rate Schedule G-11.

“Day” means a period of twenty-four (24) consecutive hours, beginning and ending at 10:00 A.M. prevailing Knoxville time or such other period as may be established by the applicable connecting pipeline(s) to KUB’s system.

“Delivery” means the delivery of Transport Gas or Standby Gas to KUB.

“Firm Gas” means the amount of gas designated as such in a written contract between KUB and the Customer; Firm Gas is not subject to interruption or curtailment except for emergency or other causes as provided for in KUB’s Rules and Regulations.

“Imbalance” means the difference between Deliveries to KUB for a Customer and Redeliveries by KUB to the Customer.

“Notice of Interruption” means the notice given by KUB to a Customer that a Period of Interruption has commenced or will commence.

“Operational Flow Order” means any directive issued to a Customer by KUB which requires the Customer to adjust Deliveries to KUB or deliveries of non-Firm gas to the Customer by KUB.

“Period of Interruption” means any period of time during which KUB shall interrupt or curtail the delivery of gas to the Customer.

“Redelivery” means the delivery of gas, excluding Firm Gas and Unauthorized Gas, to a Customer by KUB.

“Scheduled Daily Amount” means the amount of Transport Gas approved by KUB from time to time to be Delivered by a Customer to KUB and delivered to the Customer by KUB on a daily basis.

“Standby Gas” means gas procured by KUB for the account of a Customer in the event of failure of the Customer’s supplier to Deliver Transport Gas to KUB.

“Transport Gas” means the gas purchased by a Customer from a supplier other than KUB that Customer has arranged to have Delivered to KUB for delivery to the Customer by KUB.

“Transportation Service Agreement” means the contract between KUB and the Customer whereby KUB agrees to provide interruptible transportation gas service to the Customer.

“Unauthorized Gas” means (a) the quantity of gas taken by Customer exceeding the amount which is permitted during a Period of Interruption or (b) the difference (whether positive or negative) between the quantity of gas taken by Customer and the volumes provided for under an Operational Flow Order.

Availability

Service under Rate Schedule G-11 shall be available to any customer who meets the following conditions:

(a) Customer’s annual gas usage (excluding Firm Gas), on an actual or projected basis, shall not be less than 25,000 dekatherms (one dekatherm is equivalent to ten therms);

(b) Customer shall be permitted to purchase only one (1) dekatherm of Firm Gas under Rate Schedule G-11 for each two (2) dekatherms of Transport Gas delivered by KUB to the Customer;

(c) Customer must have standby equipment of sufficient capacity capable of providing Customer’s normal gas service requirements for a period of five (5) working days without replenishment when Transport Gas is completely interrupted. Customer shall maintain such equipment ready for operation at any time and shall utilize a fuel other than gas furnished by KUB and shall be subject to periodic inspections by KUB to ensure compliance with this provision;

Condition (c) shall be optional for any Customer who meets the following requirements: (1) annual gas usage (excluding Firm Gas) is equal to or greater than 25,000 dekatherms; (2) primary use of gas is for industrial or process use; and (3) provides satisfactory evidence to KUB of its ability and willingness to have its gas service interrupted or curtailed by KUB in accordance with the terms and conditions of this Rate Schedule.

(d) Customer’s use under this rate shall not work a hardship on any other customers of KUB, nor adversely affect any other class of KUB’s customers and further provided the Customer’s use under this rate shall not adversely affect KUB’s gas purchase plans and/or effective utilization of the daily demands under KUB’s gas purchase contracts with its suppliers, as solely determined by KUB.

(e) KUB must determine that its existing distribution system facilities are adequate and available for the requested service; and

(f) Customer must execute a Transportation Service Agreement for interruptible transportation gas service.

In the event Customer shall fail at any time to meet conditions (a) through (d) service under Rate Schedule G-11 shall no longer be available; but at KUB's option, gas service may be provided to the Customer under other KUB rate schedules.

Notwithstanding the foregoing, any Customer which received service under Rate Schedule G-11 prior to November 1, 1997 may receive service under Rate Schedule G-11 without fulfilling conditions (a) and (b). Any such Customer shall comply with all other terms and conditions of Rate Schedule G-11.

Character of Service

Pursuant to a Transportation Service Agreement and Rate Schedule G-11, and subject to Periods of Interruption determined by KUB in its sole discretion, KUB shall deliver to the Customer up to the Contract Amount of Transport Gas received from one or more connected interstate natural gas pipelines for Customer's account.

If the Transport Gas cannot be Delivered to KUB by a supplier of the Customer for any reason, Standby Gas service may be available in accordance with the terms and conditions under Rate Schedule G-11.

The first gas delivered to the Customer on a daily basis under Rate Schedule G-11 shall be considered Firm Gas up to the daily quantity contracted for as Firm Gas by the Customer.

Gas purchased or transported under Rate Schedule G-11 shall be used only by the Customer at its facilities and shall be delivered at a single point of delivery located within the service area of KUB and shall not be resold by the Customer.

Net Rates

Customer Charge:	\$450.00
Demand Charge:	\$19.00 per dekatherm of demand.
Firm Gas Charge:	\$6.619 per dekatherm.
Transportation Charge:	\$2.064 per dekatherm for the first 3,000 dekatherms of non-Firm gas delivered to Customer; plus

\$1.477 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of non-Firm gas delivered to Customer; plus
\$.695 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of non-Firm gas delivered to Customer; plus
\$.430 per dekatherm for the excess over 50,000 dekatherms of non-Firm gas delivered to Customer.

Standby Gas Charge:

The charge for Standby Gas shall be the total of:
(a) the cost per dekatherm to KUB for the applicable Day of acquiring Standby Gas on the open market, subject to the approval of the Customer to purchase Standby Gas at or above such price and (b) the costs incurred by KUB in transporting such Standby Gas via connecting pipelines to one or more of KUB's delivery points.

Unauthorized Gas Charge:

\$15.00 per dekatherm of Unauthorized Gas as a penalty, plus (a), the total cost per dekatherm of obtaining such gas on the open market, as defined below, plus (b), the costs incurred by KUB in transporting such Unauthorized Gas via connecting pipelines to one or more of KUB's delivery points. The cost per dekatherm of obtaining such gas on the open market, (a) above, is defined as an index price based on the High Common price for "Transco zone 5 delivered" or "Tennessee 500 Leg", whichever is higher for the applicable Day as published in Gas Daily. If Gas Daily is no longer published, or one of the aforementioned indices is not published, or for any other reason as determined by KUB, KUB will select an industry recognized index at its sole discretion.

Other Charges:

Imbalance Charges (as herein defined), and any pipeline scheduling, balancing, transportation, or other similar charges incurred by KUB in connection with the transportation of gas on behalf of the Customer, as applicable.

Purchased Gas Adjustment

The Firm Gas Charge shall be subject to KUB's Purchased Gas Adjustment.

Standby Gas Service

In the event Transport Gas cannot be Delivered to KUB by a supplier of the Customer, KUB will attempt to make Standby Gas available to the Customer in volumes up to the Customer's Scheduled Daily Amount. To obtain Standby Gas service, Customer or Customer's supplier must provide KUB with prior written or oral notice that the supplier will be unable to Deliver volumes to KUB to meet Customer's Scheduled Daily Amount.

KUB shall have the right, in its sole discretion, to curtail in whole or in part Standby Gas service to the Customer.

Standby Gas under Rate Schedule G-11 shall be subject to the following charges, as applicable: (a) the Standby Gas Charge, as set forth in this rate schedule, for Deliveries of Standby Gas to KUB for the account of the Customer, and (b) the Transportation Charge, as set forth in this rate schedule, for deliveries of Standby Gas to the Customer by KUB.

Determination of Demand

Demand shall be the daily quantity of gas contracted for as Firm Gas by the Customer. Customer, with the consent of KUB, may from time to time change the amount of Firm Gas by providing written notice to KUB at least three (3) business days prior to the beginning of the monthly billing period for which the Customer desires the change to be effective; provided, however, that such changes shall not effect a reduction in the previously specified Firm Gas, unless the previously specified Firm Gas has been in effect for the entire twelve month period immediately preceding the date the requested change is to become effective.

Scheduling of Service

At least three (3) business days prior to the first calendar day of the month, Customer shall submit to KUB its schedule showing the proposed daily volumes of Transport Gas the Customer desires to deliver to KUB via connecting pipelines and have delivered to the Customer by KUB during the succeeding month ("Delivery Schedule"). Any proposed Delivery of gas in excess of the Transport Gas portion of the Contract Amount shall be specifically noted in the Delivery Schedule. At least one business day prior to the beginning of the applicable calendar month, KUB shall notify the Customer in writing of the volumes of Transport Gas for such Customer which have been approved for Delivery to KUB and delivery to the Customer by KUB on a daily basis during such month ("Scheduled Daily Amount"). The Customer must notify and obtain written approval of KUB for any changes in the Scheduled Daily Amount during a month at least twenty-four (24) hours prior to the proposed commencement of such change.

KUB shall have the right, in its sole discretion, to issue an Operational Flow Order (“OFO”) which shall require the Customer to adjust Deliveries to KUB or deliveries of non-Firm gas to the Customer by KUB in order to address one or more of the following situations: (1) to maintain system operations at pressures required to provide efficient and reliable service, (2) to have adequate gas supplies in the system to deliver on demand, (3) to maintain service to all firm gas customers and for all firm gas services, (4) to avoid penalties from connecting pipelines, or (5) any other situation which may threaten the operational integrity of KUB’s gas distribution system.

To the extent possible, KUB shall give at least one hour notice prior to issuing an OFO. Notice may be written or oral and shall be sufficient if given by KUB via telephone or in person to the person or person(s) designated from time to time by the Customer as authorized to receive such notices, or by facsimile to the facsimile number designated from time to time by the Customer, or if mailed or hand-delivered in writing to the Customer’s premises. The OFO shall include but not be limited to the following information: (1) time and date of issuance, (2) action Customer is required to take, (3) time at which Customer must be in compliance with the OFO, (4) anticipated duration of the OFO, and (5) any other terms and conditions that KUB may reasonably require to ensure the effectiveness of the OFO.

Any volumes of gas delivered to the Customer by KUB in excess of the volumes provided for under the OFO shall be subject to the entire Unauthorized Gas Charge. If the volumes of gas delivered to the Customer by KUB are less than the volumes required to be delivered to the Customer under the OFO, the volumes not delivered to the Customer shall be subject only to the penalty portion of the Unauthorized Gas Charge.

Unauthorized Gas Charge

No Customer shall take Unauthorized Gas. A Customer must immediately notify KUB if it has taken, or anticipates taking, Unauthorized Gas. In the event a Customer takes Unauthorized Gas, the Customer shall be charged for all Unauthorized Gas delivered by KUB to the Customer the Unauthorized Gas Charge. In addition, KUB may suspend or terminate service and/or pursue any other remedy available to it under applicable law. The existence of an Unauthorized Gas Charge shall not be construed to give any Customer the right to take Unauthorized Gas. The penalty portion of the Unauthorized Gas Charge may be waived or reduced by KUB on a non-discriminatory basis.

Balancing of Deliveries

As nearly as practical, Deliveries and Redeliveries shall be at uniform rates of flow. Due to Customer operating conditions, the quantities of gas Delivered to KUB and Redelivered to Customer during any particular period may not balance. It shall be the responsibility of the Customer to adjust Deliveries and Redeliveries of gas to maintain a daily balance of Deliveries and Redeliveries.

KUB will endeavor to monitor Deliveries and Redeliveries and, to the extent practical, inform the Customer of Imbalances which have occurred. KUB's failure to notify the Customer of an Imbalance shall not affect Customer's obligations under Rate Schedule G-11. All efforts to correct Imbalances by a Customer shall be coordinated with KUB.

KUB shall have the right to take any and all action necessary to limit Imbalances from connecting pipelines or which affect the integrity of KUB's system.

Resolution of Imbalances

The Customer's Imbalance for the month shall be the net total of daily Imbalances for the month. KUB shall divide the monthly Imbalance by the sum of the Deliveries to KUB for the Customer for each Day of the month to determine the percentage (%) monthly Imbalance. KUB shall resolve the monthly Imbalance according to the following schedules ("Imbalance Charges"):

Schedule A. Redeliveries exceed Deliveries - Customer shall pay KUB for excess volumes at the applicable percentage of the Index Price (as defined in this Schedule A) for those volumes within the corresponding % monthly imbalance range.

<u>% Monthly Imbalance</u>	<u>Price</u>
0 - 5%	100% of Index Price
> 5 - 10%	115% of Index Price
>10 - 15%	130% of Index Price
>15 - 20%	140% of Index Price
>20%	150% of Index Price

The Index Price shall be the total of: (a) the average of daily prices for the applicable Gulf Coast Price Index for the applicable month, as published in Gas Daily, or if Gas Daily is no longer published, in a comparable reliable source for natural gas prices and (b) the costs incurred by KUB in transporting such excess volumes via connecting pipelines to one or more of KUB's delivery points.

Schedule B. Deliveries exceed Redeliveries - KUB shall pay the Customer for excess volumes at the applicable percentage of the Index Price (as defined in this Schedule B) for those volumes within the corresponding % monthly imbalance range.

<u>% Monthly Imbalance</u>	<u>Price</u>
0 - 5%	100% of Index Price
> 5 - 10%	85% of Index Price
>10 - 15%	70% of Index Price
>15 - 20%	60% of Index Price
>20%	50% of Index Price

The Index Price shall be the total of: (a) the average of daily prices for the applicable Gulf Coast Price Index for the applicable month, as published in Gas Daily or, if Gas Daily is no longer published, in a comparable reliable source for natural gas prices and (b) the costs which would have been incurred by KUB in transporting such excess volumes via connecting pipelines to one or more of KUB's delivery points.

Priority of Service

Interruptible gas service is supplied to customers of KUB under Rate Schedules G-7 and G-11. Except as may be otherwise determined by KUB in its sole discretion, Periods of Interruption shall generally be imposed on interruptible customers of KUB in the following order:

(1) If the Period of Interruption is necessary due to an emergency or a capacity limitation on KUB's gas distribution system, then the interruption of service to all interruptible customers of KUB shall be handled on a pro rata or other equitable basis as determined by KUB.

(2) If the capacity limitation affects only a restricted geographic area of KUB's gas distribution system, then only interruptible customers of KUB within the restricted area will have their service interrupted. The interruption of such customers shall be handled on a pro rata or other equitable basis as determined by KUB.

(3) If the Period of Interruption is necessary due to a shortage of KUB's normal gas supply, whether caused by a capacity limitation of KUB's connecting pipeline(s) or by an actual shortage of gas, then:

(a) The first service interrupted shall be Rate Schedule G-7 customers (other than redeliveries of supplemental gas and transport gas) who have not heretofore been interrupted as provided above.

(b) The second service interrupted shall be redeliveries of supplemental gas to Rate Schedule G-7 customers and Deliveries of Standby Gas by KUB to Rate Schedule G-11 Customers. Even though KUB may have acquired supplemental gas for the account of a customer under Rate Schedule G-7 or Standby Gas for the account of a Customer under Rate Schedule G-11, these services may be interrupted to the extent necessary to provide service to KUB's Firm Gas customers.

Within each category, the interruption of such customers shall be handled on a pro rata or other equitable basis as determined by KUB.

Insofar as Transport Gas has been Delivered to KUB for any customer receiving service under Rate Schedule G-7 or Rate Schedule G-11, and insofar as the Period of Interruption is not due to an emergency or capacity limitation on KUB's gas distribution system, the delivery of Transport Gas by KUB to those customers will not be interrupted.

(4) If the Period of Interruption is necessary due to a lack of confirmation by any connecting pipeline of Deliveries for any Rate Schedule G-11 Customers or to any customers receiving transportation service under Rate Schedule G-7, then only service to the affected Rate Schedule G-11 Customers or to the affected customers receiving transportation service under Rate Schedule G-7, as applicable, will be interrupted.

Notices

To the extent possible, KUB shall give Customer at least a one hour Notice of Interruption before a Period of Interruption begins. A Notice of Interruption may be written or oral and shall be sufficient if given by KUB via telephone or in person to the person or persons designated from time to time by the Customer as authorized to receive such notices, or by facsimile transmission to the telephone number designated from time to time by the Customer, or if mailed or hand-delivered in writing to the Customer's premises. If a Period of Interruption involves only a reduction in the amount of gas that may be transported, the Notice of Interruption shall state the daily and/or hourly quantity of gas which Customer may transport. A Period of Interruption shall continue in effect until KUB notifies Customer that the Period of Interruption has terminated or until the time specified in the Notice of Interruption expires.

Minimum Bill

The minimum bill for each monthly billing period shall be the sum of the Customer Charge and the Demand Charge.

Contract for Service

Each Customer receiving service under Rate Schedule G-11 shall execute a contract with KUB for at least twelve (12) months to end on the November 1st specified in said contract or such other period as Customer and KUB agree upon.

RATE SCHEDULE G-12

COMMERCIAL AND INDUSTRIAL FIRM TRANSPORTATION GAS SERVICE

Definitions

“Contract Amount” means the maximum amount of Transport Gas a Customer may transport through KUB’s gas distribution system facilities on any Day as established by a Transportation Service Agreement between KUB and the Customer.

“Customer” means a person or entity contracting with or otherwise receiving service from KUB for firm transportation gas service under Rate Schedule G-12.

“Day” means a period of twenty-four (24) consecutive hours, beginning and ending at 10:00 A.M. prevailing Knoxville time or such other period as may be established by the applicable connecting pipeline(s) to KUB’s system.

“Delivery” means the delivery of Transport Gas or Standby Gas to KUB.

“Imbalance” means the difference between Deliveries to KUB for a Customer and Redeliveries by KUB to the Customer.

“Operational Flow Order” means any directive issued to a Customer by KUB which requires the Customer to adjust Deliveries to KUB or deliveries of gas to the Customer by KUB.

“Redelivery” means the delivery of gas, excluding Unauthorized Gas, to a Customer by KUB.

“Scheduled Daily Amount” means the amount of Transport Gas approved by KUB from time to time to be Delivered by a Customer to KUB and delivered to the Customer by KUB on a daily basis.

“Standby Gas” means gas procured by KUB for the account of a Customer in the event of failure of the Customer’s supplier to Deliver Transport Gas to KUB.

“Transport Gas” means the gas purchased by a Customer from a supplier other than KUB that Customer has arranged to have Delivered to KUB for delivery to the Customer by KUB.

“Transportation Service Agreement” means the contract between KUB and Customer whereby KUB agrees to provide firm transportation gas service to the Customer.

“Unauthorized Gas” means (a) the quantity of gas taken by Customer exceeding the Contract Amount or (b) the difference (whether positive or negative) between the quantity of gas taken by Customer and the volumes provided for under an Operational Flow Order.

Availability

Service under Rate Schedule G-12 shall be available to any customer when the following conditions are met:

(a) Customer’s annual gas usage, on an actual or projected basis, shall not be less than 12,500 dekatherms (one dekatherm is equivalent to ten therms);

(b) KUB must determine that its existing distribution system facilities are adequate and available for the requested service; and

(c) Customer must execute a Transportation Service Agreement for firm transportation gas service.

(d) Customer’s use under this rate shall not work a hardship on any other customers of KUB, nor adversely affect any other class of KUB’s customers and further provided the Customer’s use under this rate shall not adversely affect KUB’s gas purchase plans and/or effective utilization of the daily demands under KUB’s gas purchase contracts with its suppliers, as solely determined by KUB .

In the event a Customer shall fail at any time to continue to meet condition (a) or (d), service under Rate Schedule G-12 shall no longer be available; but at KUB’s option, gas service may be provided to the Customer under other KUB rate schedules.

Character of Service

Pursuant to a Transportation Service Agreement and Rate Schedule G-12, KUB shall deliver to the Customer up to the Contract Amount of Transport Gas received from one or more connected interstate natural gas pipelines for Customer’s account.

Transport Gas, as provided for under Rate Schedule G-12, shall be subject to interruption as a result of emergency or other causes as provided for in KUB’s Rules and Regulations.

If the Transport Gas cannot be Delivered to KUB by a supplier of the Customer for any reason, Standby Gas service may be available in accordance with the terms and conditions under Rate Schedule G-12.

Gas purchased or transported under Rate Schedule G-12 shall be used only by the Customer at its facilities and shall be delivered at a single point of delivery located within the service area of KUB and shall not be resold by the Customer.

Net Rates

Customer Charge:	\$450.00
Demand Charge:	\$6.30 per dekatherm of demand.
Transportation Charge:	\$2.333 per dekatherm for the first 3,000 dekatherms of gas delivered to Customer; plus \$1.599 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of gas delivered to Customer; plus \$.739 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of gas delivered to Customer; plus \$.575 per dekatherm for the excess over 50,000 dekatherms of gas delivered to Customer.
Standby Gas Charge:	The charge for Standby Gas shall be the total of: (a) the cost per dekatherm to KUB for the applicable Day of acquiring Standby Gas in the open market, subject to the approval of the Customer to purchase Standby Gas at or above such price and (b) the costs incurred by KUB in transporting such Standby Gas via connecting pipelines to one or more of KUB's delivery points.
Unauthorized Gas Charge:	\$15.00 per dekatherm of Unauthorized Gas as a penalty, plus (a), the total cost per dekatherm of obtaining such gas on the open market, as defined below, plus (b), the costs incurred by KUB in transporting such Unauthorized Gas via connecting pipelines to one or more of KUB's delivery points. The cost per dekatherm of obtaining such gas on the open market, (a) above, is defined as an index price based on the High Common price for "Transco zone 5 delivered" or "Tennessee 500 Leg", whichever is higher for the applicable Day as published in <u>Gas Daily</u> . If <u>Gas Daily</u> is no longer published, or one of the aforementioned indices is not published, or for any other reason as determined by KUB, KUB will select an industry recognized index at its sole discretion.

Other Charges: Imbalance Charges (as herein defined), and any pipeline scheduling, balancing, transportation, or other similar charges incurred by KUB in connection with the transportation of gas on behalf of the Customer, as applicable.

Standby Gas Service

In the event Transport Gas cannot be Delivered to KUB by a supplier of the Customer, KUB will attempt to make Standby Gas available to the Customer in volumes up to the Customer's Scheduled Daily Amount. To obtain Standby Gas service, Customer or Customer's supplier must provide KUB with prior written or oral notice that the supplier will be unable to Deliver volumes to KUB to meet Customer's Scheduled Daily Amount.

KUB shall have the right, in its sole discretion, to curtail in whole or in part Standby Gas service to the Customer. To the extent possible, KUB shall give the Customer at least one hour notice prior to curtailment of Standby Gas service. Notice of curtailment may be written or oral and shall be sufficient if given by KUB via telephone or in person to the person or persons designated from time to time by the Customer to receive such notices, or by facsimile transmission to the telephone number designated from time to time by the Customer, or if mailed or hand-delivered in writing to the Customer's premises.

Standby Gas under Rate Schedule G-12 shall be subject to the following charges, as applicable: (a) the Standby Gas Charge, as set forth in this rate schedule, for Deliveries of Standby Gas to KUB for the account of the Customer, and (b) the Transportation Charge, as set forth in this rate schedule, for deliveries of Standby Gas to the Customer by KUB.

Determination of Demand

Demand for any month shall be the Customer's Contract Amount. Customer, with the consent of KUB, may from time to time change the Contract Amount by providing written notice to KUB at least three (3) business days prior to the beginning of the monthly billing period for which the Customer desires the change to be effective; provided, however, that such changes shall not effect a reduction in the previously specified Contract Amount unless the previously specified Contract Amount has been in effect for the entire twelve month period immediately preceding the date the requested change is to become effective. Any change in the Contract Amount shall be effectuated by an amendment to the Transportation Service Agreement.

Scheduling of Service

At least three (3) business days prior to the first calendar day of the month, Customer shall submit to KUB its schedule showing the proposed daily volumes of Transport Gas the Customer desires to Deliver to KUB via connecting pipelines and have delivered to the Customer by KUB during the succeeding month ("Delivery Schedule"). Any proposed Delivery of gas in excess of the Contract Amount shall be specifically noted in the Delivery Schedule. At least one business day prior to the beginning of the applicable calendar month, KUB shall notify the Customer in writing of the volumes of Transport Gas for such Customer which have been approved for Delivery to KUB and delivery to the Customer by KUB on a daily basis during such month ("Scheduled Daily Amount"). The Customer must notify and obtain written approval of KUB for any changes in the Scheduled Daily Amount during a month at least twenty-four (24) hours prior to the proposed commencement of such change.

KUB shall have the right, in its sole discretion, to issue an Operational Flow Order ("OFO") which shall require the Customer to adjust Deliveries to KUB or deliveries of gas to the Customer by KUB in order to address one or more of the following situations: (1) to maintain system operations at pressures required to provide efficient and reliable service, (2) to have adequate gas supplies in the system to deliver on demand, (3) to maintain service to all firm gas customers and for all firm gas services, (4) to avoid penalties from connecting pipelines, or (5) any other situation which may threaten the operational integrity of KUB's gas distribution system.

To the extent possible, KUB shall give at least one hour notice prior to issuing an OFO. Notice may be written or oral and shall be sufficient if given by KUB via telephone or in person to the person or person(s) designated from time to time by the Customer as authorized to receive such notices, or by facsimile to the facsimile number designated from time to time by the Customer, or if mailed or hand-delivered in writing to the Customer's premises. The OFO shall include but not be limited to the following information: (1) time and date of issuance, (2) action Customer is required to take, (3) time at which Customer must be in compliance with the OFO, (4) anticipated duration of the OFO, and (5) any other terms and conditions that KUB may reasonably require to ensure the effectiveness of the OFO.

Any volumes of gas delivered to the Customer by KUB in excess of the volumes provided for under the OFO shall be subject to the entire Unauthorized Gas Charge. If the volumes of gas delivered to the Customer by KUB are less than the volumes required to be delivered to the Customer under the OFO, the volumes not delivered to the Customer shall be subject only to the penalty portion of the Unauthorized Gas Charge.

Unauthorized Gas Charge

No Customer shall take Unauthorized Gas. A Customer must immediately notify KUB if it has taken, or anticipates taking, Unauthorized Gas. In the event a Customer takes Unauthorized Gas, the Customer shall be charged for all Unauthorized Gas

delivered by KUB to the Customer the Unauthorized Gas Charge. In addition, KUB may suspend or terminate service and/or pursue any other remedy available to it under applicable law. The existence of an Unauthorized Gas Charge shall not be construed to give any Customer the right to take Unauthorized Gas. The penalty portion of the Unauthorized Gas Charge may be waived or reduced by KUB on a non-discriminatory basis.

Balancing of Deliveries

As nearly as practical, Deliveries and Redeliveries shall be at uniform rates of flow. Due to Customer operating conditions, the quantities of gas Delivered to KUB and Redelivered to Customer during any particular period may not balance. It shall be the responsibility of the Customer to adjust Deliveries and Redeliveries of gas to maintain a daily balance of Deliveries and Redeliveries.

KUB will endeavor to monitor Deliveries and Redeliveries and, to the extent practical, inform the Customer of Imbalances which have occurred. KUB's failure to notify the Customer of an Imbalance shall not affect Customer's obligations under Rate Schedule G-12. All efforts to correct Imbalances by a Customer shall be coordinated with KUB.

KUB shall have the right to take any and all action necessary to limit Imbalances from connecting pipelines or which affect the integrity of KUB's system.

Resolution of Imbalances

The Customer's Imbalance for the month shall be the net total of daily Imbalances for the month. KUB shall divide the monthly Imbalance by the sum of the Deliveries to KUB for the Customer for each Day of the month to determine the percentage (%) monthly Imbalance. KUB shall resolve the monthly Imbalance according to the following schedules ("Imbalance Charges"):

Schedule A. Redeliveries exceed Deliveries - Customer shall pay KUB for excess volumes at the applicable percentage of the Index Price (as defined in this Schedule A) for those volumes within the corresponding % monthly imbalance range.

<u>% Monthly Imbalance</u>	<u>Price</u>
0 - 5%	100% of Index Price
> 5 - 10%	115% of Index Price
>10 - 15%	130% of Index Price
>15 - 20%	140% of Index Price
>20%	150% of Index Price

The Index Price shall be the total of: (a) the average of daily prices for the applicable Gulf Coast Price Index for the applicable month, as published in Gas Daily, or if Gas Daily is no longer published, in a comparable reliable source for natural gas prices and (b) the costs incurred by KUB in transporting such excess volumes via connecting pipelines to one or more of KUB's delivery points.

Schedule B. Deliveries exceed Redeliveries - KUB shall pay the Customer for excess volumes at the applicable percentage of the Index Price (as defined in this Schedule B) for those volumes within the corresponding % monthly imbalance range.

<u>% Monthly Imbalance</u>	<u>Price</u>
0 - 5%	100% of Index Price
> 5 - 10%	85% of Index Price
>10 - 15%	70% of Index Price
>15 - 20%	60% of Index Price
>20%	50% of Index Price

The Index Price shall be the total of: (a) the average of daily prices for the applicable Gulf Coast Price Index for the applicable month, as published in Gas Daily or, if Gas Daily is no longer published, in a comparable reliable source for natural gas prices and (b) the costs which would have been incurred by KUB in transporting such excess volumes via connecting pipelines to one or more of KUB's delivery points.

Minimum Bill

The minimum bill for each monthly billing period shall be the sum of the Customer Charge and the Demand Charge.

Contract for Service

Each Customer receiving service under Rate Schedule G-12 shall execute a contract with KUB to end on the November 1st specified in said contract.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

**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.

June 16, 2016

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".

Resolution 1347, A Resolution Adopting Rules and Regulations for the Electric, Water and Wastewater Divisions of the Knoxville Utilities Board Providing for the Efficient Use, Operation, and Management of the Electric, Water and Wastewater Systems, Thereby Replacing the Existing Rules and Regulations of the Electric, Water and Wastewater Divisions

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

Attachment 1	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	Page(s) 7516 - 7568
Attachment 2	Recommendation Letter and Resolution 1347, A Resolution Adopting Rules and Regulations for the Electric, Water and Wastewater Divisions of the Knoxville Utilities Board Providing for the Efficient Use, Operation, and Management of the Electric, Water and Wastewater Systems, Thereby Replacing the Existing Rules and Regulations of the Electric, Water and Wastewater Divisions	7569 - 7637
Attachment 3	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	7638 - 7640



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,

A

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

TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. PURPOSE	2
III. RESPONSIBILITIES.....	3
IV. INVESTMENT OBJECTIVE.....	7
V. ASSET STRUCTURE	8
VI. INVESTMENT GUIDELINES.....	10
VII. STANDARDS OF MEASUREMENT	18
VIII. INVESTMENT ADMINISTRATION.....	20
IX. APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT	22

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:

<u>Asset Class</u>	Target Allocation	<u>Tactical Ranges</u>
Domestic Equity		
Large Cap	24.0%	20% - 50%
Mid Cap	8.0%	0% - 15%
Small Cap	8.0%	0% - 15%
Convertible Securities	7.5%	0% - 10%
Non-US Equity ¹	15.0%	0% - 20%
Real Estate Equity	7.5%	0% - 10%
Fixed Income		
Aggregate Bonds	10.0%	5% - 25%
Long-term Bonds	20.0%	10% - 25%
Cash Equivalents	<u>0.0%</u>	0% - 5%
Total Fund	100.0%	

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

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 Depository 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

Types of Securities

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

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

Types of Securities

Debt securities of any U.S. entity not otherwise prohibited, with maturities of not more than 13 months, through a short-term investment fund.

Diversification

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.

Quality

Only cash equivalents with the following minimum quality ratings from designated rating agencies are eligible for inclusion in the portfolio:

Commercial Paper: A1/P1 or equivalent

Certificates of Deposit and Banker's Acceptances: AA- to Aa3.

Repurchase Agreements: U.S. Government or agency secured.

Pooled or Commingled Funds

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.

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

Portfolio Name / Current Investment Manager	Purpose	Investments	Measurement 1 – Rolling Return		Measurement 2 – Rolling Return		Measurement 3 - Volatility
			Rolling 3 Year ¹	+ Median	Rolling 5 Year ²	> index	
Fixed Income					Rolling 5 Year ³	150%	
Agincourt	Current income	US government & corporate bonds, mortgages	Mercer US Fixed Core Manager Universe		Barclays Capital Aggregate Index	Barclays Capital Aggregate Index	
Schroder	Current income & capital appreciation	Long term government & corporate bonds	Mercer US Fixed Long Duration Manager Universe		Barclays Capital Long Government Credit Index	Barclays Capital Long Government Credit Index	
Convertibles			Rolling 3 Year	+ Median	Rolling 5 Year	Rolling 5 Year	150%
Shenkman	Current income & capital appreciation	Convertible corporate securities	Mercer US Convertible Manager Universe		BAML All US Convertible Ex Mandatory Index (V0A0)	BAML All US Convertible Ex Mandatory Index (V0A0)	
Large Cap Equity							
Russell 1000 Index	On quarterly and annual bases, index should closely track performance and volatility of designated index						
Mid and Small Cap Equity			Rolling 3 Year	+ Median	Rolling 5 Year	Rolling 5 Year	150%
Wellington Management	Capital Appreciation	Mid Cap stocks	Mercer US Mid Cap Core Equity Universe		S&P 400 Mid Cap Index	S&P 400 Mid Cap Index	
Jennison Associates	Capital Appreciation	Small Cap stocks	Mercer US Small Cap Core Equity Universe		Russell 2000 Index	Russell 2000 Index	
Real Estate							

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.

Portfolio Name / Current Investment Manager	Purpose	Investments	Measurement 1 – Rolling Return	Measurement 2 – Rolling Return	Measurement 3 - Volatility	
REIT Index	On quarterly and annual bases, index should closely track performance and volatility of designated index		Rolling 3 Year	+ Median	Rolling 5 Year	150%
International Equities						
MFS	Capital Appreciation	Non - US developed stocks	Mercer World ex US/EAFE Equity Universe	MSCI EAFE Value Index	MSCI EAFE Value Index	
Artisan	Capital Appreciation	Non - US developed stocks	Mercer World ex US/EAFE Equity Universe	MSCI EAFE Growth Index	MSCI EAFE Growth Index	

KNOXVILLE UTILITIES BOARD

**ASSET ACCUMULATION
401(k) PLAN**

STATEMENT OF INVESTMENT POLICY

JULY 1, 2016

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE.....	2
III.	RESPONSIBILITIES	3
IV.	INVESTMENT OPTION STRUCTURE.....	6
V.	LIFECYCLE TIER	8
VI.	INDEX TIER	9
VII.	ACTIVE MANAGEMENT TIER	13
VIII.	APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT	21

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

Asset Class/Current Fund Name	Purpose	Investments	Measurement 1 – Fund’s Return on a Rolling 3 Year basis: ¹	Measurement 2 – Fund’s Return on a Rolling 5 Year basis: ²	Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: ³
Lifecycle Funds/SSgA Target Retirement	Current Income & Capital Appreciation	Combined Equity, Fixed Income & Cash Equivalent	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	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	Should not exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by Mercer Investment Consulting 125%

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

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

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.

Asset Class/Current Fund Name	Purpose	Investments	Measurement
Index			
Small & Mid Cap Equity Index Fund/Fidelity Spartan Extended Market Index	Capital Appreciation	Small to Mid Cap Equity	On quarterly and annual bases, Fund should closely track performance and volatility of Dow Jones US Completion TSM Index
International Equity Index Fund/Vanguard Total International Stock Index	Capital Appreciation	Non-US Equity	On quarterly and annual bases, Fund should closely track performance and volatility of MSCI ACWI Ex-US IMI Index

ACTIVE MANAGEMENT TIER

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

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.

Asset Class/Current Fund Name	Purpose	Investments	Measurement 1 – Fund’s Return on a Rolling 3 Year basis: ⁷		Measurement 2 – Fund’s Return on a Rolling 5 Year basis: ⁸	Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: ⁹
Balanced Fund/Dodge & Cox Balanced	Balance Current Income & Capital Appreciation	Blend of Equity, Fixed Income & Cash Equivalents	Mercer MF US Balanced	+ Median	60% S&P 500 & 40% Barclays Capital Aggregate Index	60% S&P 500 & 40% Barclays Capital Aggregate Index
Large Cap Value Equity Fund/John Hancock Classic Value	Capital Appreciation	Large Cap – Appreciation by Improving Valuations	Mercer MF US Large Cap Value	+ Median	Russell 1000 Value Index	Russell 1000 Value Index
Large Cap Growth Equity Fund/Mainstay Large Cap Growth	Capital Appreciation	Large Cap – Appreciation by Earnings Growth	Mercer MF US Large Cap Growth	+ Median	Russell 1000 Growth Index	Russell 1000 Growth Index
Small Cap Value Equity Fund/Victory Integrity Small-Cap Value	Capital Appreciation	Small to Mid Cap Equity – Improved Valuations	Mercer MF US Small Cap Value	+ Median	Russell 2000 Value Index	Russell 2000 Value Index
Small Cap Growth Equity Fund/Voya Small-Cap Opportunities	Capital Appreciation	Small to Mid Cap Equity – Improved Earnings	Mercer MF US Small Cap Growth	+ Median	Russell 2000 Growth Index	Russell 2000 Growth Index
International Equity Fund/Fidelity International Discovery	Capital Appreciation	Non-US Equity	Mercer MF International Equity	+ Median	MSCI EAFE Index	MSCI EAFE Index

MF = 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,

A

Mintha E. Roach
President and CEO

Enclosures

RESOLUTION NO. 1347

A Resolution Adopting Rules and Regulations for the Electric, Water and Wastewater Divisions of the Knoxville Utilities Board Providing for the Efficient Use, Operation, and Management of the Electric, Water and Wastewater Systems, Thereby Replacing the Existing Rules and Regulations of the Electric, Water and Wastewater Divisions

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



Electric Division
Rules and Regulations



Knoxville Utilities Board

Rules and Regulations for the Electric Division

TABLE OF CONTENTS:

Section I:	Purpose
Section II:	Scope
Section III:	Definitions
Section IV:	Initiation of <i>Electric Service</i>
Section V:	Connections to <i>KUB Electric System</i>
Section VI:	Interruption of <i>Electric Service</i>
Section VII:	Shortage of <i>Electricity</i>
Section VIII:	Termination of <i>Electric Service</i> ; Refusal to Connect <i>Electric Service</i>
Section IX:	Rates for <i>Electric Service</i>
Section X:	Billing for <i>Electric Service</i>
Section XI:	Authority to Levy Charges and <i>Fees</i>
Section XII:	<i>KUB Electric System Extensions</i>
Section XIII:	Prohibition of <i>Electricity Resale</i>
Section XIV:	<i>Sub-metering</i>

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 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)*.
3. **Construction and Responsibility for Private *Electric Systems*.** *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*.

A

Water Division Rules and Regulations

a

Rules and Regulations for the Water Division

TABLE OF CONTENTS:

Section I:	Purpose
Section II:	Scope
Section III:	Definitions
Section IV:	Initiation of <i>Water Service</i>
Section V:	Connections to <i>KUB Water System</i>
Section VI:	Interruption of <i>Water Service</i>
Section VII:	Restricted Use of <i>Water</i>
Section VIII:	Termination of <i>Water Service</i> ; Refusal to Connect <i>Water Service</i>
Section IX:	<i>Rates for Water Service</i>
Section X:	Billing for <i>Water Service</i>
Section XI:	Authority to Levy Charges and Fees
Section XII:	<i>KUB Water System</i> Extensions
Section XIII:	Prohibition of <i>Water</i> Resale

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 master 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.

- I. *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 fire-fighting 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 its 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 master 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

A

Knoxville Utilities Board Rules and Regulations for the Wastewater Division

TABLE OF CONTENTS:

Section I:	Purpose
Section II:	Scope
Section III:	Definitions
Section IV:	Initiation of <i>Wastewater Service</i>
Section V:	Connections to <i>KUB Wastewater System</i>
Section VI:	Interruption of <i>Wastewater Service</i>
Section VII:	Termination of <i>Wastewater Service</i> ; Refusal to Connect <i>Wastewater Service</i>
Section VIII:	<i>Rates for Wastewater Service</i>
Section IX:	<i>Wastewater Charges</i>
Section X:	<i>Billing for Wastewater Service</i>
Section XI:	Authority to Levy Charges and Fees
Section XII:	<i>KUB Wastewater System Extensions</i>
Section XIII:	Intergovernmental Agreements
Section XIV:	<i>KUB Wastewater System</i>
Section XV:	<i>Wastewater Rules & Regulations Enforcement</i>
Section XVI:	<i>Wastewater Rules & Regulations Appeals Board</i>
Appendix A:	<i>Pretreatment Program</i>
Appendix B:	<i>Grease Program</i>
Appendix C:	Enforcement Response Guide - Pretreatment Program
Appendix D:	Enforcement Response Guide - <i>Grease Control Program</i>
Appendix E:	Enforcement Response Guide - Private Service Laterals

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.

Standard Methods shall mean *Standard Methods for the Examination of Water and Wastewater*, latest edition, published by the American Public Health Association, the American Water Works Association, and the Water Environment Federation.

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 ("I/I") 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 (v) 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 designees 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,

A

Mintha E. 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
MINUTE BOOK 36 PAGE 7639 - 7640