

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, April 16, 2015, 8:30 a.m.**

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, April 16, 2015, pursuant to the public notice published in the January 10, 2015, edition of the *News Sentinel*. Chair Thompson called the meeting to order at 8:30 a.m.

Roll Call

Commissioners Present: Bruce Anderson, Kathy Hamilton, Celeste Herbert, Sara Pinnell, Nikitia Thompson, Eston Williams, and John Worden

Commissioners Absent: None

Approval of Minutes

The Minutes of the March 19, 2015, Board Meeting were approved as distributed upon a motion by Commissioner Williams and second by Commissioner Anderson.

Old Business

None

New Business

Resolution 1327, A Resolution to Amend Resolution No. 1313, the Caption of Which is as Follows: "A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board From the Funds of the Electric Division, the Gas Division, the Water Division, and the Wastewater Division for the Fiscal Year Beginning July 1, 2014, Providing for Expenditures Paid for the Period Beginning July 1, 2014, and Ending June 30, 2015"

Resolution 1328, A Resolution to Amend Resolution No. 1314, the Caption of Which is as Follows: "A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2014, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2015, for Contractual Commitments Executed and Other Obligations Incurred on or Before June 30, 2015"

April 16, 2015

Chair Thompson stated that Resolutions 1327 and 1328 are related to additional budget and commitment appropriations and therefore would be discussed together before being considered individually.

President Roach recommended adoption of Resolutions 1327 and 1328 on first and final reading. Her written recommendation is included in Attachment 1.

President Roach recognized Jamie Davis, Manager of Procurement and Assistant to the CFO, who advised the Board that the Electric, Gas, and Water Divisions would need additional budget appropriations to fully fund the projected cash expenditures for fiscal year 2015. Mr. Davis also reviewed a proposed amendment to fiscal year 2015 commitment appropriations for the Electric and Water Divisions, which will enable KUB to execute all necessary contracts on or before June 30, 2015. Mr. Davis further advised the Board that staff had previously discussed the need for additional budget appropriations with the Board's Audit and Finance Committee.

Upon a motion by Commissioner Herbert and a second by Commissioner Anderson, Resolution 1327 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Anderson, Hamilton, Herbert, Pinnell, Thompson, Williams, and Worden. No Commissioner voted "nay".

Upon a motion by Commissioner Hamilton and a second by Commissioner Williams, Resolution 1328 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Anderson, Hamilton, Herbert, Pinnell, Thompson, Williams, and Worden. No Commissioner voted "nay".

President's Report

TVA Award

President Roach introduced Ed Medford, Manager of Economic Development and Government Relations, who introduced the following individuals from TVA; Cindy Herron, Vice President of EnergyRight and Renewable Solutions; Robbie Ansary, Customer Service Manager, and Christy Cagle-Brooks, Northeast District Customer Relations Manager. Ms. Herron presented the Top Performer Award for EnergyRight Programs to Chair Thompson on behalf of KUB.

Round It Up Update

President Roach recognized Eddie Black, Senior Vice President, who summarized preparations leading up to the kick-off of the Round It Up program in May.

April 16, 2015

Other Business

None.

Public Comment

Louise Gorenflo – Climate Knoxville – Knoxville, TN

Adjournment

There being nothing further to come before the Board, Chair Thompson declared the regular meeting adjourned at 9:00 a.m.

Financial Workshop

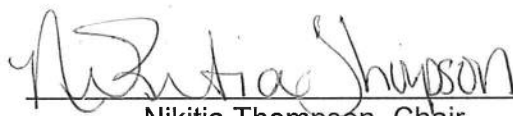
President Roach provided an overview of this year's meeting format and reviewed the financial workshop agenda. She then introduced Susan Edwards, Senior Vice President and Chief Administrative Officer, who discussed KUB's Workforce Initiatives. Tracy Hayes, Manager of Construction, provided an update of each system's planned Century II programs for the next ten years. Gabriel Bolas, Manager of Environmental Programs and Assistant to the Chief Operating Officer, reviewed current and planned environmental and sustainability initiatives. Mark Walker, Senior Vice President and Chief Financial Officer, concluded the workshop portion of the meeting with an update of each utility system's ten year financial plan and provided an overview of the proposed budget for fiscal year 2016. Mr. Walker reviewed the official action items for the May Board Meeting including resolutions for fiscal year 2016 budget and commitment appropriations, a gas system line of credit, and for the adoption of public fire protection rates.

Public Comment

None

Adjournment

Chair Thompson declared the meeting adjourned at Noon.


Nikitia Thompson, Chair


Mark Walker, Board Secretary

Attachments

Attachment 1	Recommendation Letter and Resolution 1327, A Resolution to Amend Resolution No. 1313, the Caption of Which is as Follows: "A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board From the Funds of the Electric Division, the Gas Division, the Water Division, and the Wastewater Division for the Fiscal Year Beginning July 1, 2014, Providing for Expenditures Paid for the Period Beginning July 1, 2014, and Ending June 30, 2015"	<u>Page(s)</u> 6799-6804
Attachment 2	Resolution 1328, A Resolution to Amend Resolution No. 1314, the Caption of Which is as Follows: "A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2014, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2015, for Contractual Commitments Executed and Other Obligations Incurred on or Before June 30, 2015"	6805-6808



April 10, 2015

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

Commissioners:

The April 16 Board meeting agenda includes official action items related to additional budget and commitment appropriations for fiscal year 2015.

An overview of each official action item is provided below.

Resolution 1327

Resolution 1327 provides for additional budget appropriations for fiscal year 2015. Last May the Board adopted budget appropriations totaling \$867.6 million. At the March 26 meeting of the Board's Audit and Finance Committee, staff discussed the need for additional budget appropriations for the Electric, Gas, and Water Divisions to cover higher than anticipated expenditures for the current fiscal year.

Based on the latest forecast of cash expenditures, the Electric Division is expected to exceed its original budget appropriation by \$9.1 million due to a higher level of electric power purchased from TVA to meet customer demand last winter. The Gas Division is forecasted to exceed its budget appropriation by \$11.2 million due to higher than estimated expenses for construction of the South Loop gas pipeline project as well as higher than expected customer demand due to the colder than normal winter. The Water Division will exceed its original budget by \$0.1 million, reflecting costs associated with the repair of main breaks resulting from weather conditions in February.

Resolution 1327 provides for an additional \$15 million in budget appropriations for the Electric Division, an additional \$15 million for the Gas Division, and an additional \$0.5 million for the Water Division. A letter from Mr. Walker, KUB's Chief Financial Officer, has been prepared certifying the availability of these funds.

Resolution 1328

Commitment appropriations cover any contracts executed or other obligations incurred over the course of a fiscal year that commit KUB to cash expenditures beyond the fiscal year. Last May the Board adopted commitment appropriations totaling \$63.8 million for fiscal year 2015. Staff has reviewed commitments made and to be made for the current fiscal year, and is recommending an increase in commitment appropriations for the Electric and Water Divisions. Resolution 1328 provides for an additional \$2.2 million in commitment appropriations for the Electric Division and an additional \$450,000 for the Water Division. A letter from Mr. Walker has been prepared certifying the availability of funds for the additional appropriations.

I recommend adoption of Resolution 1327 and 1328 on first and final readings.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mintha Roach". The ink is dark and the signature is fluid.

Mintha E. Roach
President and CEO

RESOLUTION NO. 1327

A Resolution to Amend Resolution No. 1313, the Caption of Which is as Follows:

“A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board From the Funds of the Electric Division, the Gas Division, the Water Division, and the Wastewater Division for the Fiscal Year Beginning July 1, 2014, Providing for Expenditures Paid for the Period Beginning July 1, 2014, and Ending June 30, 2015”

Whereas, the Knoxville Utilities Board of Commissioners (hereinafter referred to as the “Board”) previously adopted Resolution No. 1313, making and fixing the annual budget appropriations for the Electric, Gas, Water, and Wastewater Divisions of the Knoxville Utilities Board (hereinafter referred to as “KUB”) for the fiscal year beginning July 1, 2014; and

Whereas, KUB staff met with the Board’s Audit and Finance Committee and reviewed the need for additional budget appropriations for the fiscal year beginning July 1, 2014; and

Whereas, the Board has determined it is appropriate to amend the budget appropriations for the Electric Division, Gas Division, and Water Division for the current fiscal year by increasing the amount of expenditures authorized to be paid on or before June 30, 2015; and

Whereas, the Chief Financial Officer has certified to the Board the availability of funds to support the proposed increase in budget appropriations.

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

Section 1. That Section 1 of Resolution No. 1313 previously approved by this Board, be amended by adding **\$15,000,000** to the budget appropriations of the Electric Division for expenditures to be paid on or before June 30, 2015, thereby increasing the existing budget appropriations of the Electric Division from **\$570,252,000** to **\$585,252,000**.

Section 2. That Section 2 of Resolution No. 1313 previously approved by this Board, be amended by adding **\$15,000,000** to the budget appropriations of the Gas Division for expenditures to be paid on or before June 30, 2015, thereby increasing the existing budget appropriations of the Gas Division from **\$127,147,000** to **\$142,147,000**.

Section 3. That Section 3 of Resolution No. 1313 previously approved by this Board, be amended by adding **\$500,000** to the budget appropriations of the Water Division for expenditures to be paid on or before June 30, 2015, thereby increasing the existing budget appropriations of the Water Division from **\$62,756,000** to **\$63,256,000**.

Section 4. That funds will be available for each division to fund the expenditures to be paid for the fiscal year beginning July 1, 2014, as noted in Sections 1 through 3 of this Resolution. The availability of funds has been certified by letter from the Senior Vice President and Chief Financial Officer, whereby said letter is attached to and incorporated by reference as part of this Resolution.

Section 5. That 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: 4-16-15
EFFECTIVE DATE: 4-16-15
MINUTE BOOK 34 PAGE 6801-6804



April 16, 2015

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

Commissioners,

I hereby certify that within the meaning of Section 1109 of the City of Knoxville Charter and Article IX.B.2.e. of the Board's By-Laws there are sufficient funds adequate to fund the proposed additional budget appropriations for the fiscal year beginning July 1, 2014, as provided for in Resolution 1327, as follows:

An additional \$15,000,000 in budget appropriations for the Electric Division, thereby increasing the budget appropriations for the fiscal year beginning July 1, 2014 from \$570,252,000 to \$585,252,000.

An additional \$15,000,000 in budget appropriations for the Gas Division, thereby increasing the budget appropriations for the fiscal year beginning July 1, 2014 from \$127,147,000 to \$142,147,000.

An additional \$500,000 in budget appropriations for the Water Division, thereby increasing the budget appropriations for the fiscal year beginning July 1, 2014 from \$62,756,000 to \$63,256,000.

The availability of funds for budget appropriations is based on general fund cash and all available cash reserves of the respective divisions as of July 1, 2014, and all monies anticipated to come into the general fund of each division on or before June 30, 2015 from utility sales at rates approved by the KUB Board; from other fees, charges, sales proceeds, accounts and notes receivable, or other credits in the process of collection; and from proceeds of authorized debt issues.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mark Walker", is written over a light blue horizontal line.

Mark A. Walker
Senior Vice President and CFO

Enclosure

April 2015: Certification of Available Funds - FY 2015 Budget Appropriations

Electric Division: Certification of Available Funds

	<u>FY 2015</u>
Beginning General Fund Cash	\$31,472,000
Sales Revenues	\$518,916,000
Other Revenues/Receipts	\$16,058,000
Cash Reserves	\$27,022,000
Bond Proceeds	\$85,000,000
Total	<u>\$678,468,000</u>
FY 2015 Budget Appropriations (Res. 1313)	\$570,252,000
FY 2015 Budget Appropriations (Res. 1327)	<u>\$15,000,000</u>
Available Funds	\$93,216,000

If positive, there are available funds to fund appropriations.

Gas Division: Certification of Available Funds

	<u>FY 2015</u>
Beginning General Fund Cash	\$44,014,000
Sales Revenues	\$115,279,000
Other Revenues/Receipts	\$2,578,000
Cash Reserves	\$14,116,000
Bond Proceeds	\$0
Total	<u>\$175,987,000</u>
FY 2015 Budget Appropriations (Res. 1313)	\$127,147,000
FY 2015 Budget Appropriations (Res. 1327)	<u>\$15,000,000</u>
Available Funds	\$33,840,000

If positive, there are available funds to fund appropriations.

Water Division: Certification of Available Funds

	<u>FY 2015</u>
Beginning General Fund Cash	\$22,178,000
Sales Revenues	\$41,848,000
Other Revenues/Receipts	\$2,323,000
Cash Reserves	\$10,963,000
Bond Proceeds	\$28,000,000
Total	<u>\$105,312,000</u>
FY 2015 Budget Appropriations (Res. 1313)	\$62,756,000
FY 2015 Budget Appropriations (Res. 1327)	<u>\$500,000</u>
Available Funds	\$42,056,000

If positive, there are available funds to fund appropriations.

RESOLUTION NO. 1328

**A Resolution to Amend Resolution No. 1314, the Caption of Which is as Follows:
"A Resolution Approving Commitment Appropriations for the Fiscal Year
Beginning July 1, 2014, Thereby Authorizing the Commitment of Expenditures to
be Paid Subsequent to June 30, 2015, for Contractual Commitments Executed
and Other Obligations Incurred on or Before June 30, 2015"**

Whereas, the Knoxville Utilities Board of Commissioners (hereinafter referred to as the "Board") adopted Resolution No. 1314, approving commitment appropriations for the Electric, Gas, Water, and Wastewater Divisions of the Knoxville Utilities Board for the fiscal year beginning July 1, 2014; and

Whereas, the Board has determined it is appropriate to amend the commitment appropriations for the Electric and Water Divisions for the current fiscal year, by increasing the commitment of expenditures to be paid subsequent to June 30, 2015, for contractual commitments and other obligations incurred on or before June 30, 2015; and

Whereas, the Chief Financial Officer has certified to the Board the availability of funds to fund the proposed increase in commitment appropriations.

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

Section 1. That Section 1 of Resolution No. 1314, be amended by adding **\$2,200,000** to the commitment appropriations of the Electric Division for contractual commitments executed and other obligations incurred on or before June 30, 2015, resulting in expenditures to be paid subsequent to June 30, 2015, thereby increasing the existing commitment appropriations from **\$11,500,000** to **\$13,700,000**.

Section 2. That Section 3 of Resolution No. 1314, be amended by adding **\$450,000** to the commitment appropriations of the Water Division for contractual commitments executed and other obligations incurred on or before June 30, 2015, resulting in expenditures to be paid subsequent to June 30, 2015, thereby increasing the existing commitment appropriations from **\$10,100,000** to **\$10,550,000**.

Section 3. That funds will be available for the Electric and Water Divisions to fund the expenditures to be paid subsequent to June 30, 2015, for contractual commitments executed and other obligations incurred on or before June 30, 2015, as noted in Sections 1 and 2 of this resolution. The availability of funds has been certified by letter from the Senior Vice President and Chief Financial Officer, whereby said letter is attached to and incorporated by reference as part of this Resolution.

Section 4. That 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: 4-16-15
EFFECTIVE DATE: 4-16-15
MINUTE BOOK 34 PAGE 6805-6808



April 16, 2015

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

Commissioners,

I hereby certify that within the meaning of Section 1109 of the City of Knoxville Charter and Article IX.B.2.e. of the Board's By-Laws there are sufficient funds adequate to fund the proposed additional commitment appropriations for the fiscal year beginning July 1, 2014, as provided for in Resolution 1328 as follows:

An additional \$2,200,000 in commitment appropriations for the Electric Division, thereby increasing the commitment appropriations for the fiscal year beginning July 1, 2014 from \$11,500,000 to \$13,700,000.

An additional \$450,000 in commitment appropriations for the Water Division, thereby increasing the commitment appropriations for the fiscal year beginning July 1, 2014 from \$10,100,000 to \$10,550,000.

The availability of funds for commitment appropriations is based on available general fund cash and all available cash reserves of the respective divisions as of July 1, 2014, and all monies anticipated to come into the general fund of each division prior to the maturity of the contractual commitments and other obligations from utility sales at rates approved by the KUB Board; from other fees, charges, sales proceeds, accounts and notes receivable, or other credits in the process of collection; and from proceeds of authorized debt issues.

Respectfully submitted,

A handwritten signature in blue ink, reading "Mark A. Walker".

Mark A. Walker
Senior Vice President and CFO

Enclosure

April 2015: Certification of Available Funds - FY 2015 Commitment Appropriations

Electric Division: Certification of Available Funds

	<u>FY 2016</u>
Available Funds	\$93,216,000
Sales Revenues	\$524,019,000
Other Revenues	\$18,622,000
Bond Proceeds	\$0
Total	<u>\$635,857,000</u>
FY 2015 Commitment Appropriations (Res. 1314)	\$11,500,000
FY 2015 Additional Commitment Appropriations (Res. 1328)	<u>\$2,200,000</u>
Available Funds	\$622,157,000

If positive, there are available funds to fund appropriations.

Water Division: Certification of Available Funds

	<u>FY 2016</u>
Available Funds	\$42,056,000
Sales Revenues	\$44,160,000
Other Revenues	\$2,902,000
Bond Proceeds	\$0
Total	<u>\$89,118,000</u>
FY 2015 Commitment Appropriations (Res. 1314)	\$10,100,000
FY 2015 Additional Commitment Appropriations (Res. 1328)	<u>\$450,000</u>
Available Funds	\$78,568,000

If positive, there are available funds to fund appropriations.