

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, June 18, 2015, 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 18, 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 12:00 p.m.

Roll Call

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

Commissioners Absent: Bruce Anderson

Approval of Minutes

The Minutes of the May 21, 2015, Board Meeting were approved as distributed upon a motion by Commissioner Williams and second by Commissioner Herbert.

Old Business

Resolution 1332, A Resolution Replacing the Existing Rate Schedule of the Water Division for Public Fire Protection Service with New Rate Schedules to be Effective July 1, 2015 and July 1, 2016

President Roach recognized Mark Walker, Senior Vice President and Chief Financial Officer, who provided a recap of the proposed amendment to the fire protection rate, providing for an increase in the public fire protection rate for fiscal years 2016 and 2017, respectively.

President Roach recommended adoption of Resolution 1332 on second and final reading. Her written recommendation is included in Attachment 1.

Upon a motion by Commissioner Hamilton and a second by Commissioner Pinnell, Resolution 1332 (*Attachment 1*) was adopted by a roll call vote on second and final reading. The following Commissioners voted "aye": Hamilton, Herbert, Pinnell, Thompson, Williams, and Worden. No Commissioner voted "nay".

June 18, 2015

New Business

Resolution 1333, A Resolution Authorizing the Condemnation and the Taking of Utility Easements, including Electric, Gas, Water, and Wastewater, as may be Necessary in Support of the Tennessee Department of Transportation's (TDOT's) Alcoa Highway Improvements Project

President Roach advised Commissioners that in an effort to partner with TDOT and meet their construction schedules for the Alcoa Highway Improvements project, we need to ask for blanket condemnation authority early in the process. Ms. Roach recognized, Julie Childers, Vice President, to discuss the details.

President Roach recommended adoption of Resolution 1333 on first and final reading. Her written recommendation is included in Attachment 2.

Upon a motion by Commissioner Worden and a second by Commissioner Pinnell, Resolution 1333 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Hamilton, Herbert, Pinnell, Thompson, Williams, and Worden. No Commissioner voted "nay".

President's Report

Cumberland Avenue Update

President Roach advised Commissioners that KUB recently completed Phase I of the Cumberland Avenue project. She recognized Mark Rauhuff, Manager of Water Systems Engineering, to provide an update on the progress and what is ahead for Phase II.

Water Tank Maintenance

President Roach reminded Commissioners that they've heard KUB staff talk about Century II and the importance of replacing and maintaining our infrastructure. She recognized Derwin Hagood, Vice President, to provide an update on our maintenance program for water tanks.

TVA Grant Presentation

President Roach reminded Commissioners that last fall TVA announced they were accepting applications for a new weatherization grant program called Extreme Energy Makeovers. She recognized Gabriel Bolas, Manager and Assistant to the Chief Operating Officer, to provide an update. Mr. Bolas advised the Board that Knoxville's Community Action Committee (CAC) has been awarded an Extreme Energy Makeover grant of \$15 million, resulting from a joint effort of CAC, the City of Knoxville, and KUB.

June 18, 2015

RP3 Designation

President Roach advised Commissioners that KUB was recently awarded the RP3 designation by the American Public Power Association. Ms. Roach recognized Thelas Kimble, Engineer in the Electric Systems Engineering Department, to provide more details about the RP3 program and KUB's award.

Other Business

None.

Public Comment


Boyce McCall – 4710 Washington Pike – Knoxville, TN 37917

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 1:00 p.m.



Mark Walker, Board Secretary


Nikitia Thompson, Chair

Attachments

Attachment 1	Recommendation Letter and Resolution 1332, A Resolution Replacing the Existing Rate Schedule of the Water Division for Public Fire Protection Service with New Rate Schedules to be Effective July 1, 2015 and July 1, 2016	<u>Page(s)</u> 6847 – 6853
Attachment 2	Recommendation Letter and Resolution 1333, A Resolution Authorizing the Condemnation and the Taking of Utility Easements, including Electric, Gas, Water, and Wastewater, as may be Necessary in Support of the Tennessee Department of Transportation's (TDOT's) Alcoa Highway Improvements Project	6854 – 6856



June 12, 2015

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

Commissioners:

Resolution 1332, which was adopted by the Board on first reading at the May meeting, provides for an increase in the Water Division's public fire protection rate effective July 1, 2015 and July 1, 2016, respectively, to ensure KUB continues to appropriately recover its costs of providing water system capacity to meet public fire service demands.

KUB has designed its water system facilities, including treatment plants, pumps, reservoirs, and water mains, with additional capacity necessary to meet public fire protection service demands. In order to recover its costs associated with this additional system capacity, KUB bills the City of Knoxville an annual public fire protection service charge based on a public fire protection rate adopted by the Board.

Since 2002 the Board, at the request of the City, adopted the public fire protection rate for periods of three consecutive years, with a true-up at the end of each three-year period to ensure KUB appropriately recovers its costs. The last increase in the public fire protection rate was effective July 1, 2012.

KUB and the City have mutually agreed to end the practice of setting the public fire protection rate for periods of three consecutive years with the understanding the rate will be subject to future changes as determined by the Board, in its sole discretion, consistent with the long-term funding plan of the water system.

Resolution 1332 is enclosed for your review. I recommend its adoption on second and final reading.

Respectfully submitted,

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

Mintha E. Roach
President and CEO

RESOLUTION NO. 1332

A Resolution Replacing the Existing Rate Schedule of the Water Division for Public Fire Protection Service with New Rate Schedules to be Effective July 1, 2015 and July 1, 2016

Whereas, the Knoxville Utilities Board ("KUB") has designed its water system facilities, including treatment plants, pumps, reservoirs, and water mains, with the additional capacity necessary to meet public fire protection service demands, while maintaining its ability to meet normal customer requirements and system growth; and

Whereas, KUB incurs a cost for providing facilities to meet public fire service demands, including both capital investment and the cost of maintaining those facilities; and

Whereas, the KUB Board of Commissioners (the "Board") has previously adopted a rate for public fire protection service (the "Public Fire Protection Rate"), expressed in the terms of a rate for each KUB owned public fire hydrant located within the jurisdictional boundaries of a governmental entity providing public fire protection service; and

Whereas, since 2002 KUB and the City of Knoxville (the "City") have been parties to a Memorandum of Understanding (the "Memorandum"), which, at the request of the City, adopted the Public Fire Protection Rate for periods of three consecutive years, and included a true-up mechanism to ensure KUB appropriately recovers its costs associated with providing facilities to meet public fire service demands; and

Whereas, pursuant to Resolution 1267, the Board last increased the Public Fire Protection Rate effective July 1, 2012, and the three-year period for charging the City the current Public Fire Protection Rate will end June 30, 2015 upon the expiration of the Memorandum; and

Whereas, KUB and the City have mutually agreed to end the practice of adopting the Public Fire Protection Rate for three-year periods with the mutual understanding the Public Fire Protection Rate will be subject to future changes as determined by the Board in its sole discretion consistent with the long-term funding plan of the water system; and

Whereas, KUB and the City have mutually agreed that any true-up amount resulting from public fire protection charges billed the City for the three-year period ending June 30, 2015, will be amortized over a three-year period commencing with public fire protection charges for the fiscal year beginning July 1, 2015; and

Whereas, the Board has determined that an increase in the Public Fire Protection Rate is necessary to ensure that KUB continues to appropriately recover its cost of providing facilities to meet public fire service demands; and

Whereas, the Board desires to increase the Public Fire Protection Rate effective July 1, 2015, and July 1, 2016, respectively, which will place the Public Fire Protection Rate on schedule with previously approved increases for all other rate schedules of the Water Division; and

Whereas, in accordance with Section 1107(F) of the Charter of the City of Knoxville ("Charter"), the Board is required to charge sufficient rates for water service to pay all obligations of the Water Division; and

Whereas, in accordance with Section 1107(L) of the Charter, KUB has provided the required public notice of not less than five (5) days prior to a meeting of the Board when a rate 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 Water Division Rate Schedule entitled "Schedule D – Public Fire Protection Service" as set forth in Section 3 of Resolution 1060, as heretofore amended, is hereby deleted in its entirety and replaced with the rate schedule set forth in Exhibit A to this Resolution, to be effective July 1, 2015.

Section 2. That the Water Division Rate Schedule entitled "Schedule D – Public Fire Protection Service" as set forth in Section 3 of Resolution 1060, as heretofore amended, is hereby deleted in its entirety and replaced with the rate schedule set forth in Exhibit B to this Resolution, to be effective July 1, 2016.

Nikitia Thompson/s
Nikitia Thompson, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
READING: 5-21-15
APPROVED ON 2nd
READING: 6-18-15
EFFECTIVE DATE: 7-1-15
MINUTE BOOK 34 PAGE 6848-6853

RESOLUTION 1332
EXHIBIT A
PUBLIC FIRE PROTECTION SERVICE RATE SCHEDULE
EFFECTIVE JULY 1, 2015

SCHEDULE D – PUBLIC FIRE PROTECTION SERVICE

Availability

Service under this schedule shall be available only to a governmental entity that undertakes to provide public fire protection service for an area that contains at least four square miles. KUB reserves the right to require any applicant for service under this schedule to execute a contract specifying, among other things, a minimum bill and minimum term for service.

Rate

For public fire protection service rendered, the governmental entity shall pay KUB a fire protection service charge at the rate of \$413.30 per year for each KUB owned public fire hydrant located within the jurisdictional boundaries of the governmental entity and within areas provided public fire protection service by such governmental entity. In addition to the fire protection service charge, the governmental entity shall pay for all water used for fire fighting at rates set forth in the Water General Service – Nonresidential Rate Schedule.

KUB may contract with other utility providers to supply public fire protection service to an eligible governmental entity in any service area (or portion thereof), where KUB determines it desirable to do so. Charges to a governmental entity for fire protection service provided under such a contract shall be at the same rate specified above, and the hydrants of the utility provider utilized under such a contract shall be deemed to be facilities owned by KUB for the sole purpose of calculating charges under this schedule.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

RESOLUTION 1332
EXHIBIT B
PUBLIC FIRE PROTECTION SERVICE RATE SCHEDULE
EFFECTIVE JULY 1, 2016

SCHEDULE D – PUBLIC FIRE PROTECTION SERVICE

Availability

Service under this schedule shall be available only to a governmental entity that undertakes to provide public fire protection service for an area that contains at least four square miles. KUB reserves the right to require any applicant for service under this schedule to execute a contract specifying, among other things, a minimum bill and minimum term for service.

Rate

For public fire protection service rendered, the governmental entity shall pay KUB a fire protection service charge at the rate of \$433.97 per year for each KUB owned public fire hydrant located within the jurisdictional boundaries of the governmental entity and within areas provided public fire protection service by such governmental entity. In addition to the fire protection service charge, the governmental entity shall pay for all water used for fire fighting at rates set forth in the Water General Service – Nonresidential Rate Schedule.

KUB may contract with other utility providers to supply public fire protection service to an eligible governmental entity in any service area (or portion thereof), where KUB determines it desirable to do so. Charges to a governmental entity for fire protection service provided under such a contract shall be at the same rate specified above, and the hydrants of the utility provider utilized under such a contract shall be deemed to be facilities owned by KUB for the sole purpose of calculating charges under this schedule.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.



June 12, 2015

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

Commissioners:

KUB is required to relocate its utilities as needed to accommodate TDOT's Alcoa Highway project. TDOT is currently planning to bid the project by the end of 2015, and all easements must be acquired by that date to meet TDOT's schedule. Staff is requesting condemnation authority to cover the needed easements for this project. While we will work with property owners to acquire the easements on mutually agreeable terms, the requested authority will ensure that the project is not delayed in the rare events where actual condemnation is required. Resolution 1333 provides that the Board will receive at least 10 days' notice of any proposed condemnation, and that if any Commissioner notifies the President and CEO prior to the date of condemnation, no action will be taken until it is considered at the next Board meeting. A draft of Resolution 1333 and a list of property owners where easements will be necessary are enclosed for your review.

I recommend adoption of Resolution 1333.

Respectfully submitted,

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

Mintha E. Roach
President and CEO

RESOLUTION NO. 1333

A Resolution Authorizing the Condemnation and the Taking of Utility Easements, including Electric, Gas, Water, and Wastewater, as may be Necessary in Support of the Tennessee Department of Transportation's (TDOT's) Alcoa Highway Improvements Project

Whereas, meeting TDOT's schedule for the Alcoa Hwy Improvements Project ("Project") requires KUB to acquire easements for utility improvements by December 2015 for its affected electric, gas, water, and wastewater facilities (the "Facilities"); and

Whereas, portions of the utility construction ("The Work") will be performed inside utility easements located within KUB's service territory; and

Whereas, acquisition of the aforesaid easements must be obtained for the construction of the Facilities in a timely manner to ensure compliance with TDOT's construction schedule; and

Whereas, KUB's engineering staff, in conjunction with its engineering consultant, has designed the utility relocations required for the Project; and

Whereas, in the opinion of this Board, the acquisition of easements described in this Resolution for the Project best meets the needs and requirements of the public for the location, relocation, and improvements of the Facilities; and

Whereas, time is of the essence in constructing the Facilities, and it is advantageous for KUB officials to be granted authority to condemn and acquire any necessary Project easements in the event they cannot be acquired by negotiations.

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

Section 1. That this Board finds and declares:

- (a) That public convenience and necessity require that certain improvements be made to the Facilities within the KUB service territory and that KUB acquire easements within which to perform such improvements.
- (b) That for the purpose of constructing the Facilities within the KUB service territory as described herein, there shall be condemned such permanent utility and access easements and such temporary construction easements for the Project as may be determined to be necessary by the President and CEO or her designee.

Section 2. That the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, and the General 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 each Board member shall be notified via email at least 10 business days before any condemnation authorized by this resolution is filed. Said notice shall include a detailed description of the easement and an explanation of why the condemnation is necessary. Further, the proposed condemnation will not be filed if any Commissioner, prior to the proposed date of the condemnation, notifies the President and CEO of their desire to have the matter reviewed at the next Board meeting.

Section 4. That this resolution shall take effect upon its passage.

Nikitia Thompson/s
Nikitia Thompson, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 6-18-15
EFFECTIVE DATE: 6-18-15
MINUTE BOOK 34 PAGE 6855 - 6856