



Knoxville Utilities Board

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**Board Meeting Agenda  
Thursday, August 15, 2019  
Noon**

**Call to Order**

**Roll Call**

**Approval of Minutes**

**Official Action**

Resolution 1400 – A Resolution Amending the Rate Schedules of the Gas Division Providing for Certain Changes to the Gas Interruptible and Transportation Rate Schedules, By Amending Section 2 of Resolution No. 1060, as Heretofore Amended

Resolution 1401 – A Resolution Authorizing the Execution of An Agreement with First Utility District for the Exchange and Transfer of Water Distribution Facilities and Water & Wastewater Service Rights in the Kingston Pike/Gallaher View Area

**President's Report**

**Other Business**

**Public Comments**

**Adjournment**



Knoxville Utilities Board

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August 9, 2019

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

Commissioners,

Staff has identified several proposed changes to KUB's Gas Division rate schedules for large commercial and industrial gas customers. The proposed changes include raising the rate for unauthorized gas usage, eliminating the standby gas service provision in the transportation service rate schedules, and closing the availability of firm transportation gas service, in addition to some minor housekeeping changes.

Commercial and industrial gas customers are subject to penalty charges for unauthorized gas usage during a period of interruption or operational flow order. The rate for unauthorized gas has been unchanged since 1982 and needs to be raised to a level so it provides an appropriate economic disincentive for unauthorized gas use.

Customers who purchase gas from a supplier other than KUB receive service under either an interruptible or firm transportation rate schedule. Both schedules include a provision for standby gas service, whereby if requested by the customer, KUB will attempt to procure gas on the open market for a customer in the event their supplier is unable to deliver gas to KUB. This provision has never been utilized. As a result, staff is proposing to eliminate this provision from the transportation rate schedules.

The final major change is the closing of the availability of firm transportation service. Staff does not believe it is necessary to maintain two separate transportation service schedules given the number of similarities in service. The interruptible transportation schedule will be renamed transportation service. The three customers currently receiving service under the firm transportation schedule will be grandfathered for a period of two years, providing reasonable time to shift service to another gas rate schedule. The firm transportation rate service will be eliminated at the end of the two-year period.

Resolution 1400 amends the rate schedules of the Gas Division to provide for the proposed changes. If approved on first reading at the August meeting, second reading will occur in September. I recommend the approval of Resolution 1400 on first reading.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gabriel Bolas". The signature is fluid and cursive, with the first name "Gabriel" and the last name "Bolas" clearly distinguishable.

Gabriel J. Bolas II  
President and CEO

Enclosure

## RESOLUTION NO. 1400

### **A Resolution Amending the Rate Schedules of the Gas Division Providing for Certain Changes to the Gas Interruptible and 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 interruptible large commercial and industrial service, and transportation rate schedules; and

**Whereas**, the interruptible and transportation rate schedules allow KUB from time to time to restrict use and deliveries of gas on its system through enactment of a Period of Interruption (POI), or an Operational Flow Order (OFO); and

**Whereas**, KUB may assess charges and penalties for “Unauthorized Gas” delivery or use associated with the POI or OFO; and

**Whereas**, the current “Unauthorized Gas Penalty” portion of the “Unauthorized Gas Charge”, approved by the Board in 1982, is intended to address customer non-compliance during a POI or OFO; and

**Whereas**, the Board has determined, upon recommendation from KUB Staff, that it is appropriate to increase the “Unauthorized Gas Penalty” specified in the “Unauthorized Gas Charge” portion of Gas Division Rate Schedules G-7, G-11 and G-12; and

**Whereas**, Gas Division Rate Schedules G-11 and G-12 contain language providing for “Standby Gas Service” in the event of failure of the Customer’s supplier to deliver Transport Gas to KUB; and

**Whereas**, the provision for “Standby Gas Service” in Gas Division Rate Schedules G-11 and G12 has not previously been utilized; and

**Whereas**, the Board has determined, upon recommendation from KUB Staff, that it is in the best interest of KUB and its customers to remove the provision for “Standby Gas Service” in Gas Division Rate Schedules G-11 and G-12; and

**Whereas**, Gas Division Rate Schedules G-4, G-6, G-7, G-11, and G-12 are available to commercial and industrial customers; and

**Whereas**, the Board has determined, upon recommendation from KUB Staff, that it is in the best interest of KUB and its customers to revise the availability of Rate Schedule "G-12 Commercial and Industrial Firm Transportation Gas Service" restricting its availability to only those customers taking gas service under this rate schedule as of November 1, 2019 and terminating the rate schedule as of November 1, 2021; 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-7 Interruptible Large Commercial and Industrial Service", "G-11 Interruptible Transportation Gas Service", "G-12 Commercial and Industrial Firm Transportation Gas Service", and "G-14 Alternative Gas Pricing Rider" 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, 2019, which include increases provided for in Exhibit F to Resolution 1361, passed by this Board on June 5, 2017.

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Kathy Hamilton, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
READING: \_\_\_\_\_  
APPROVED ON 2<sup>nd</sup>  
READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
MINUTE BOOK \_\_\_\_\_ PAGE \_\_\_\_\_

**RESOLUTION 1400**

**EXHIBIT A**

**INTERRUPTIBLE AND TRANSPORTATION  
RATE SCHEDULES OF THE GAS DIVISION  
EFFECTIVE OCTOBER 1, 2019**

## **RATE SCHEDULE G-7**

### **INTERRUPTIBLE LARGE COMMERCIAL AND INDUSTRIAL SERVICE**

#### Definitions

“Customer” means a person or entity contracting with or otherwise receiving service from KUB for interruptible gas service under Rate Schedule G-7.

“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 Supplemental 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 in KUB's Rules and Regulations.

“Interruptible Gas” means that gas which is subject to interruption or curtailment by KUB at any time and to the extent that KUB, in its sole discretion, deems desirable.

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

“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 Transport Gas or Supplemental Gas to the Customer by KUB.

“Supplemental Gas” means gas procured by KUB for the account of a Customer for Delivery to KUB and Redelivery to the Customer.

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

“Unauthorized Gas” means the quantity of gas taken by Customer exceeding the amount which is permitted during a Period of Interruption.

### Availability

Service under Rate Schedule G-7 is available to any customer who meets the following conditions:

(a) Customer's annual Interruptible Gas use, 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-7 for each two (2) dekatherms of Interruptible Gas which are purchased;

(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 Interruptible 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; and

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

In the event Customer shall fail at any time to continue to meet the conditions (a) through (c), service under Rate Schedule G-7 shall no longer be available; but at KUB's option, gas service may be provided to the Customer under Rate Schedule G-6.

Notwithstanding the foregoing, any Customer receiving service under Rate Schedule G-7 immediately prior to September 1, 1992 may continue to receive service under Rate Schedule G-7 without fulfilling each of the above stated conditions until such time as service to Customer is terminated or Customer begins receiving gas service under a different rate schedule. Such Customer shall continue to comply with any conditions in effect prior to September 1, 1992.

### Character of Service

Interruptible Gas shall be available only to the extent that KUB has gas available that is not required by firm customers. If a Customer is served by gas purchased on an interruptible rate from KUB's suppliers, all conditions imposed by KUB's suppliers on the use of such Interruptible Gas shall likewise apply to such Customer as if KUB imposed the condition on the Customer.



## Transportation Service

During any Period of Interruption, Customer may request Transportation Service from KUB whereby Customer may either (i) purchase Transport Gas and arrange to Deliver such Transport Gas to KUB via any connected interstate natural gas pipeline to one or more of KUB's designated delivery points for Redelivery to the Customer or (ii) solicit the service of KUB in procuring Supplemental Gas for Customer whereby upon agreeing to provide such service, KUB will attempt to: (a) procure Supplemental Gas on the open market for the account of Customer; (b) arrange for such Supplemental Gas to be transported at Customer's cost via connecting interstate natural gas pipelines to one or more of KUB's designated delivery points, and (c) Redeliver such Supplemental Gas to Customer.

Redeliveries by KUB to Customer are subject to interruption when, in the sole discretion of KUB, conditions warrant a suspension of Transportation Service.

Prior to the commencement of a Period of Interruption or within a reasonable period of time subsequent to the commencement of a Period of Interruption, as determined by KUB in its sole discretion, Customer must: (a) notify KUB of its intent to receive Transportation Service from KUB and (b) provide KUB with a schedule showing the proposed daily volumes to be delivered to KUB and Redelivered to the Customer. KUB shall notify Customer of those volumes KUB has approved on a daily basis for Delivery to KUB and Redelivery to Customer (Approved Daily Volumes) prior to the Delivery of any gas to KUB. KUB reserves the right to adjust the Approved Daily Volumes as conditions warrant. KUB shall notify Customer promptly of any adjustment in the Approved Daily Volumes.

KUB shall not be obligated to Redeliver any volumes of gas to Customer: (a) in excess of the Customer's Approved Daily Volumes and (b) in the case of Transport Gas, for which KUB has not received a confirmation of receipt from the applicable connecting pipeline on any given Day.

Transportation Service under this Rate Schedule shall be subject to the following charges, as applicable: (a) the Commodity Charge, as set forth in the Rate Schedule, for Redeliveries of Supplemental Gas to Customer, and (b) the Transportation Charge, as set forth in this Rate Schedule, for Redeliveries to Customer.

Upon conclusion of Customer's Period of Interruption, if total previous Deliveries of Transport Gas or Supplemental Gas to KUB exceeds total Redeliveries of Transport Gas or Supplemental Gas to Customer by KUB, as applicable, the excess will be treated as the first gas (excluding Firm Gas) through Customer's meter following Customer's Period of Interruption.

Gas purchased or transported under Rate Schedule G-7 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.

### Quantities of Gas Delivered

For the purpose of allocating the daily volume of gas delivered to a Customer under this rate schedule, the first gas delivered shall be considered Firm Gas up to the daily quantity contracted for as Firm Gas, the next gas delivered shall be the Approved Daily Volumes of Transport Gas or Supplemental Gas for that Day, as applicable, and all additional gas delivered shall be considered Interruptible Gas except during a Period of Interruption, then all additional gas delivered shall be considered Unauthorized Gas.

	<u>Rates</u>
Customer Charge:	\$575.00
Demand Charge:	\$20.50 per dekatherm of demand.
Commodity Charge:	
For Firm Gas:	\$7.045 per dekatherm.
For Interruptible Gas:	\$6.675 for the first 3,000 dekatherms; plus \$6.052 for each dekatherm from 3,000 to and including 20,000 dekatherms; plus \$5.221 for each dekatherm from 20,000 to and including 50,000 dekatherms; plus \$4.941 for the excess over 50,000 dekatherms.
For Supplemental Gas:	The Commodity Charge for Supplemental Gas shall be the total of: (a) the cost per dekatherm to KUB for the applicable Day of acquiring Supplemental Gas on the open market, subject to the approval of the Customer to purchase Supplemental Gas at or above such price and (b) the costs incurred by KUB in transporting such Supplemental Gas via connecting pipelines to one or more of KUB's delivery points.
Transportation Charge:	\$2.449 per dekatherm for the first 3,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus \$1.826 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of gas Redelivered plus

Unauthorized Gas; plus  
\$.995 per dekatherm for each dekatherm from  
20,000 to and including 50,000 dekatherms of  
gas Redelivered plus Unauthorized Gas; plus  
\$.715 per dekatherm for the excess over  
50,000 dekatherms of gas Redelivered plus  
Unauthorized Gas.

Unauthorized Gas Charge: \$25.00 per dekatherm of Unauthorized Gas as  
a penalty, plus the total of: (a) the cost per  
dekatherm of obtaining such gas on the open  
market as determined by the higher of (1) the  
applicable Gulf Coast Price Index for the  
applicable Day as published in Gas Daily or, if  
Gas Daily is no longer published, in a  
comparable reliable source for natural gas  
prices or (2) the applicable first of the month  
Gulf Coast Price Index as published in INSIDE  
FERC, or if INSIDE FERC is no longer  
published, in a comparable reliable source for  
natural gas prices and (b) the costs incurred by  
KUB in transporting such Unauthorized Gas via  
connecting pipelines to one or more of KUB's  
delivery points.

In determining the appropriate rate block to bill Transportation Charges for gas  
Redelivered and Unauthorized Gas, the following volumes shall be combined:  
Interruptible Gas, Supplemental Gas, Transport Gas, and Unauthorized Gas.

#### Purchased Gas Adjustment

The Commodity Charge for Firm Gas and Interruptible Gas shall be subject to  
KUB's Purchased Gas Adjustment.

#### 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 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.

### Unauthorized Gas Charge

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

### 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 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. Even though KUB may have acquired Supplemental Gas for the account of a Customer under Rate Schedule G-7, this service 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 provided by KUB by any means including written, verbal or electronic, and shall be sufficient if given by KUB to the person or persons designated from time to time by the Customer as authorized to receive such notices. If a Period of Interruption involves only a reduction in the amount of gas that may be purchased, the Notice of Interruption shall state the daily and/or hourly quantity of gas which Customer may purchase. 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-7 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. Transportation Service under Rate Schedule G-7 shall be provided only after such customer executes a contract with KUB providing for Transportation Service.

### Rules and Regulations

Service is subject to Rules and Regulations of KUB.

## **RATE SCHEDULE G-11**

### **TRANSPORTATION GAS SERVICE**

#### Definitions

“Customer” means a person or entity contracting with or otherwise receiving service from KUB for 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 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.

“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 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 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.

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.

### Rates

Customer Charge:	\$750.00
Demand Charge:	\$20.50 per dekatherm of demand.
Firm Gas Charge:	\$7.045 per dekatherm.
Transportation Charge:	\$2.449 per dekatherm for the first 3,000 dekatherms of non-Firm gas delivered to Customer; plus \$1.826 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of non-Firm gas delivered to Customer; plus \$.995 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of non-Firm gas delivered to Customer; plus \$.715 per dekatherm for the excess over 50,000 dekatherms of non-Firm gas delivered to Customer.



Unauthorized Gas Charge: \$25.00 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.

#### 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 provided by KUB by any means including written, verbal or electronic, and shall be sufficient if given by KUB to the person or person(s) designated from time to time by the Customer as authorized to receive such notices. 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 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. Even though KUB may have acquired supplemental gas for the account of a customer under Rate Schedule G-7 this service may be interrupted to the extent necessary to provide service to KUB's Firm Gas customers. 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 provided by KUB by any means including written, verbal or electronic, and shall be sufficient if given by KUB to the person or persons designated from time to time by the Customer as authorized to receive such notices. 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.

### Rules and Regulations

Service is subject to Rules and Regulations of KUB.

## **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 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.

“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.

Rate Schedule G-12 shall only be available to customers receiving service under this rate schedule as of November 1, 2019 and this Rate Schedule G-12 shall be terminated as of November 1, 2021.

### 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.

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.



## Rates

Customer Charge:	\$750.00
Demand Charge:	\$6.60 per dekatherm of demand.
Transportation Charge:	\$2.768 per dekatherm for the first 3,000 dekatherms of gas delivered to Customer; plus \$1.977 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of gas delivered to Customer; plus \$1.057 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of gas delivered to Customer; plus \$.956 per dekatherm for the excess over 50,000 dekatherms of gas delivered to Customer.
Unauthorized Gas Charge:	\$25.00 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.

### 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 provided by KUB by any means including written, verbal or electronic, and shall be sufficient if given by KUB to the person or person(s) designated from time to time by the Customer as authorized to receive such notices. 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.

**RATE SCHEDULE G-14**  
**ALTERNATIVE GAS PRICING RIDER**

Definitions

“Alternative Gas Pricing Agreement” means the agreement between KUB and the Customer providing the Customer gas service under the Alternative Gas Pricing Rider (“Pricing Rider”) and shall be considered an amendment to the Contract to provide gas between KUB and the Customer.

“Alternative Gas Pricing Guidelines” means the policies and procedures established by KUB for the implementation and administration of the Pricing Rider.

“Customer” means a person or entity receiving service from KUB under the Pricing Rider.

“Firm Gas Adder” means the component of the Customer’s commodity gas rate for the costs incurred by KUB for reserving interstate natural gas pipeline and storage capacity by KUB on behalf of the Customer.

“KUB System Supply Price” means the weighted average cost of gas delivered to KUB’s gas distribution system for a given month for resale to customers on the KUB gas distribution system (excluding gas sold to customers under the Pricing Rider).

“KUB System Transportation Charge” means the cost of transporting gas on KUB’s gas distribution system on behalf of the Customer to the facilities of the Customer as determined by the KUB Board of Commissioners in their sole discretion.

“Locked-Price Gas” means gas whose rate is pre-determined.

“Market-Price Gas” means gas whose rate is based upon a first-of-the-month natural gas price for Tennessee, Zone 0 as published in Platts Gas Daily Price Guide. In the event the price is not published for the month then a comparable monthly index shall be substituted as determined by KUB. If the above publication ceases to be published during the term hereof, its successor publication shall be used or, if there is no successor, then a comparable monthly published index shall be substituted in replacement thereof.

“Price Cashout” means the monthly reconciliation process between the Customer and KUB in which the Customer’s gas volume obligations for Locked-Price Gas are reconciled with KUB.

## Availability

The Pricing Rider is designed to provide large commercial and industrial customers receiving gas service from KUB with the opportunity and means to manage the cost of their natural gas purchases from KUB by providing pricing alternatives for the applicable commodity gas rates set forth in their applicable commercial and industrial rate schedules.

Service under the Pricing Rider shall be available to G-7 or G-11 commercial and industrial customers receiving gas service from KUB under the terms and conditions set forth below

(a) Customer's annual gas usage, on an actual or projected basis, shall not be less than 25,000 dekatherms.

(b) For a Customer receiving service under Rate Schedule G-11, Transportation Gas Service, pricing alternatives shall be applicable only to Firm Gas.

(c) Customer may be required to provide KUB with appropriate financial information prior to receiving service under the Pricing Rider and subsequently on a periodic basis, for the purpose of evaluating the Customer's creditworthiness. KUB reserves the right, in its sole discretion, to deny any Customer service under the Pricing Rider based upon KUB's evaluation of the Customer's creditworthiness or authorize any appropriate security arrangement, if necessary, for the Customer to receive service under the Pricing Rider. KUB also reserves the right, in its sole discretion, to refuse to execute any particular alternative price transaction on behalf of a Customer based upon KUB's initial or any subsequent evaluation of the Customer's creditworthiness.

(d) Customer must execute an Alternative Gas Pricing Agreement which shall serve as an amendment to the Customer's existing contract to receive gas service from KUB. Customer must have previously executed a contract to receive gas service from KUB prior to receiving service under the Pricing Rider.

(e) Customer must comply with any other terms and conditions required for service under the Pricing Rider which may be set forth in the Alternative Gas Pricing Guidelines.

In the event a Customer fails to satisfy the conditions necessary for service under the Pricing Rider, service under the Pricing Rider, as determined by KUB in its sole discretion, may no longer be available; however, the Customer may continue to receive gas service from KUB under the applicable commercial and industrial rate schedule provided the Customer continues to satisfy the conditions required for service under such rate schedule and the Customer's Contract, as amended with KUB.

Upon determination that service under the Pricing Rider is no longer available to a Customer, the Customer shall still be permitted to receive service under the Pricing Rider until such point in time that the Customer's outstanding Locked-Price Gas commitments have been fulfilled.

Unless expressly provided for otherwise in the Pricing Rider or in the Alternative Gas Pricing Guidelines, all the terms and conditions of the Customer's applicable commercial and industrial rate schedule shall remain in effect while the Customer is receiving service under the Pricing Rider.

### Character of Service

Alternative pricing shall be applicable only for the Customer's Commodity Gas Rates for Firm Gas and Interruptible Gas ("Commodity Gas Rates"). Interruptible Gas shall still be subject to periods of interruption under the terms and conditions set forth in the Customer's applicable commercial and industrial rate schedule.

For a Customer receiving service under the Pricing Rider, the Commodity Gas Rates set forth in the Customer's applicable commercial and industrial rate schedule shall not be effective. Commodity Gas Rates for a Customer receiving service under the Pricing Rider shall be based upon the pricing alternative selected by the Customer as described below and agreed upon by KUB.

(a) Locked-Price Gas: Commodity Gas Rates shall be locked or pre-determined at the time KUB executes the pricing transaction on behalf of the Customer. The Commodity Gas Rate shall consist of the cost incurred by KUB for purchasing the gas on the open market for the benefit of the Customer plus the cost of transporting the gas on connecting interstate natural gas pipelines to KUB's gas distribution system plus the KUB System Transportation Charge; or

(b) Market-Price Gas: Commodity Gas Rates shall consist of the applicable market index, supplier premium, and the cost of transporting the gas on connecting interstate natural gas pipelines to KUB's gas distribution system plus the KUB System Transportation Charge.

Regardless of the pricing alternative utilized by the Customer, the Customer's commodity gas rate for Firm Gas shall also include a Firm Gas Adder for the costs incurred by KUB for interstate natural gas pipeline and storage capacity reservation charges.

The Market-Price alternative shall be the default pricing mechanism for Commodity Gas Charges. If KUB does not execute any Locked-Price transactions on behalf of a Customer for a given month, the Customer's Commodity Gas Charges for that particular month shall be based upon the Market-Price alternative. The Commodity Gas Charges for any gas delivered by KUB to the facilities of the Customer for a given month in excess of Locked-Price Gas shall be Market-Price Gas (excluding Transport Gas, Supplemental Gas, and Unauthorized Gas).

KUB incurs an obligation for Locked-Price Gas volumes when it executes transactions on behalf of a Customer. If, for whatever reason, the gas volumes delivered by KUB to the Customer for any month are less than the gas volumes the Customer has locked for such month, the net difference (excluding Transport Gas, Supplemental Gas, and Unauthorized Gas) shall be reconciled on a monthly basis through a Price Cashout.



If the price of the Locked-Price Gas delivered to KUB exceeds the KUB System Supply Price, the Customer shall pay a Price Cashout Charge equal to the excess price multiplied by the applicable volumes not delivered by KUB to the Customer for such month. If the KUB System Supply Price exceeds the price of the Locked-Price Gas delivered to KUB on behalf of the Customer, the Customer shall receive a Price Cashout Credit equal to the excess price multiplied by the applicable volumes not delivered by KUB to the Customer for such month.

A Customer receiving service under the Pricing Rider shall not be permitted to revert to the Commodity Gas Rates set forth in its applicable commercial and industrial rate schedule so long as the Customer has any outstanding Locked-Price Gas commitments.

#### Alternative Gas Pricing Guidelines

The President and Chief Executive Officer of KUB shall have the authority to adopt and amend such Alternative Gas Pricing Guidelines as are necessary to establish policies and procedures to implement the pricing alternatives set forth in the Pricing Rider.

All service provided under the Pricing Rider shall be subject to the Alternative Gas Pricing Guidelines which from time to time shall be in effect.



Knoxville Utilities Board

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August 9, 2019

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

Commissioners,

First Utility District (FUD) and KUB have determined that a transfer of FUD water distribution facilities and an exchange of service rights to certain FUD water and KUB wastewater customers located on Kingston Pike near Gallaher View will better define the service boundaries in this area. Resolution 1401 authorizes the transfer and exchange. If approved, FUD would transfer its water service rights for 6 customer accounts and the associated water facilities to KUB, and KUB would transfer its wastewater service rights for 5 customer accounts to FUD.

By adopting Resolution 1401, the Board finds that the transfer and exchange is in the best interest of KUB and its customers. The draft contract between FUD and KUB is enclosed for your review. I recommend adoption of Resolution 1401.

Respectfully submitted,

A handwritten signature in black ink that reads 'Gabriel Bolas'.

Gabriel J. Bolas, II  
President and CEO

Enclosure

**RESOLUTION NO. 1401**

**A Resolution Authorizing the Execution of An Agreement with First Utility District for the Exchange and Transfer of Water Distribution Facilities and Water & Wastewater Service Rights in the Kingston Pike/Gallaher View Area**

**Whereas**, Knoxville Utilities Board (“KUB”) currently provides wastewater utility service to a certain eleven (11) customers located on Kingston Pike in the Gallaher View area; and

**Whereas**, First Utility District (FUD) currently provides water utility service to the same eleven (11) customers located on Kingston Pike; and

**Whereas**, the combination of utility services for the eleven (11) customers resulted in the service boundaries between KUB and FUD becoming intertwined and difficult to distinguish; and

**Whereas**, the management of KUB and FUD have determined that the exchange of certain water distribution facilities and water and wastewater service rights to customers in the Kingston Pike near Gallaher View area will better define the boundaries, improve service to customers, and create a safer work environment for both utilities; and

**Whereas**, pursuant to an Agreement between KUB and FUD, FUD will transfer to KUB the service rights and related facilities for six (6) water customers and KUB will transfer to FUD the service rights for five (5) wastewater customers as identified in the attached Agreement.

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

**Section 1.** The proposed Agreement for the Exchange and Transfer of Water Facilities and Water and Wastewater Service Rights between FUD and KUB (“Agreement”), in substantially the form attached hereto and incorporated herein, is hereby approved by the adoption of this Resolution.

**Section 2.** The President and Chief Executive Officer and his designated officers are hereby authorized to execute the Agreement and any related documents necessary for the conveyance approved by this Resolution and are further authorized to approve any minor changes or revisions to said documents as are in the best interest of KUB. The aforementioned officers are further authorized to provide any documentation or assurances as may be necessary to effectuate the exchange of the Water Facilities and Water and Wastewater Service Rights in the Kingston Pike area near Gallaher View.

**Section 3.** The President and Chief Executive Officer is further authorized and empowered generally to take such actions and to authorize other persons to take such actions as may be necessary, proper or convenient to carry into effect this resolution and to carry out the terms of the Agreement.

**Section 4.** That this Resolution shall take effect from and after passage.

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Kathy Hamilton, Chair

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Mark Walker, Board Secretary

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

**AGREEMENT FOR THE EXCHANGE AND  
TRANSFER OF WATER DISTRIBUTION FACILITIES AND WATER & WASTEWATER  
SERVICE RIGHTS**

This AGREEMENT FOR THE EXCHANGE AND TRANSFER OF WATER DISTRIBUTION FACILITIES AND WATER & WASTEWATER SERVICE RIGHTS (the "Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2019 by and between KNOXVILLE UTILITIES BOARD (hereafter "KUB"), an independent agency of the City of Knoxville, Tennessee (hereafter "Knoxville" or "the City"), whose address is 445 Gay Street, P.O. Box 59017, Knoxville, Tennessee 37950-9017 and FIRST UTILITY DISTRICT of Knox County, Tennessee (hereafter "FUD"), whose address is 122 Durwood Road, Knoxville, Tennessee 37922.

WHEREAS, KUB is an independent agency of the City of Knoxville, Tennessee with the jurisdiction, control and management of the purchase, production, sale, distribution, collection, and treatment of utility services by the City of Knoxville; and

WHEREAS, FUD is a water and wastewater utility district organized and existing pursuant to T.C.A. § 7-82-101 et seq; and

WHEREAS, KUB currently provides wastewater utility service to a group of five (5) customers located along the 8400 and 8500 Blocks of Kingston Pike (the "KUB Kingston Pike Wastewater Customers") and FUD currently provides water utility service to a group of six (6) customers along the 8400 and 8500 Blocks of Kingston Pike (the "FUD Kingston Pike Water Customers"), said customers more particularly identified on **Exhibit A**, attached hereto and incorporated herein by reference; and

WHEREAS, representatives of KUB and FUD have determined that the exchange and transfer of the KUB Kingston Pike Wastewater Customers and the FUD Kingston Pike Water Customers and the related distribution facilities and service rights would better define the boundaries, improve customer service, and create a safer work environment for both utilities; and

WHEREAS, the parties hereto are fully authorized to enter into this Agreement under the applicable laws of the state of Tennessee, FUD having authorized the execution of this Agreement by affirmative vote of its Board of Directors at its regular meeting on \_\_\_\_\_, as documented by Approved Minutes of Board of Directors meeting dated \_\_\_\_\_, a copy of which is attached hereto as **Exhibit B** and incorporated herein by reference, and KUB having authorized the execution of this Agreement by Resolution Number \_\_\_\_\_ dated \_\_\_\_\_, a copy of which is attached hereto as **Exhibit C** and incorporated herein by reference.

NOW, THEREFORE, in consideration of the premises, and the mutual covenants herein contained, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Exchange and Transfer of FUD Water Distribution Facilities and FUD Water & KUB Wastewater Service Rights. Subject to the terms and conditions in this Agreement, FUD and KUB agree to exchange and transfer certain FUD water distribution facilities consisting of pipes, valves, service lines, meter wells (except meters which will be retained by FUD), and corresponding FUD water and KUB wastewater service rights and duties, contractual rights and duties and easement and other rights in real property, used in the distribution of water or wastewater service now owned by each and located in the 8400 and 8500 Blocks of Kingston Pike, all as more particularly described in FUD's Property Disposal Report attached hereto as **Exhibit D** and hereafter referred to as the "Exchanged Facilities and Service Rights".

2. Purchase Price. No purchase price will be paid by either party to the other pursuant to this Agreement, and each party shall be responsible for payment of any expenses it incurs to complete the transfer contemplated herein.

3. Closing. The Closing of the exchange and transfer of the Exchanged Facilities and Service Rights between FUD and KUB shall be accomplished upon the completion of the following:

- a. Delivery by FUD and KUB to the other of the following documents and records:
  - i. Notes on any field work on any pending jobs for the KUB Kingston Pike Wastewater Customers and the FUD Kingston Pike Water Customers;
  - ii. Records pertaining to the Exchanged Facilities and Service Rights being transferred including, without limitation, inventory of facilities, easement records, customer billing records, meter location information, property disposal reports, and other information pertaining to the Exchanged Facilities and Service Rights as may be reasonably requested by FUD or KUB of the other; and
  - iii. All customer contracts, related deposits, and commercial letters of credit pertaining to the KUB Kingston Pike Wastewater Customers and FUD Kingston Pike Water Customers which are in the possession of FUD or KUB.
- b. Physical Transfer of the Exchanged Facilities to the receiving utility pursuant to Section 4.
- c. As a condition to closing, FUD and KUB shall each deliver to the other, the opinions of their respective counsel. The opinion letter of counsel shall include the following language:
  - i. That the execution and delivery of this Agreement has been duly approved and authorized by all required action under all organizational proceedings, charter provisions and bylaws applicable to the party on whose behalf such opinion is issued;
  - ii. That a reasonable basis exists to support a determination that the performance of this Agreement by such party will not violate applicable laws pertaining to the business affairs of such parties;
  - iii. That reasonable inquiry and investigation has been made into the records and agreements of FUD (or KUB) and counsel is of the opinion based upon the investigation and representations of the management and staff of FUD (or KUB) that the execution, delivery and performance of this Agreement will not violate, constitute a default of or constitute an event which,

with notice or passage of time, will constitute a default of any covenant, indenture or agreement by which such party or its properties are bound.

4. Physical Transfer. Physical Transfer of the Exchanged Facilities and Service Rights shall take place at a time to be agreed upon in writing by the parties. The parties agree that they will use all due diligence to complete the Physical Transfer of Exchanged Facilities and Service Rights as soon as practicable. The parties recognize that a number of changes to the Exchanged Facilities in the 8400 and 8500 Blocks of Kingston Pike may be necessary to make possible the timely transfer of water service from FUD's water distribution system to KUB's water distribution system and from KUB's wastewater collection system to FUD's wastewater collection system. KUB and FUD agree to use due diligence to complete the facilities required for the transfer as promptly as is reasonably practicable, including particularly water line extensions, tie-ins, and meters, and wastewater line extensions, connections, pumping equipment and related facilities to make possible a timely transfer of service to and from each system. The Physical Transfer and Closing of the Exchanged Facilities and Service Rights for one utility service shall not be dependent upon, nor delayed by, the Physical Transfer and Closing for the other utility service. The parties acknowledge and agree that the work required for the Physical Transfer and Closing for each utility service will be different and therefore the transfer of risk, operational responsibility, and billing function for each will be accomplished at different times.

5. Vesting of Ownership. Upon completion of the Physical Transfer of the Exchanged Facilities and Service Rights and completion of the requirements for Closing in Section 3, ownership of the Exchanged Facilities and Service Rights shall be vested in the receiving utility and thereafter included among such utility's assets and liabilities.

6. Operational Responsibility; Transfer of Risk; Indemnification.

a. Each utility shall operate and maintain its Exchanged Facilities and Service Rights to be transferred, up to and including the time of the Physical Transfer of such facilities pursuant to Section 4, and shall be wholly responsible for the liability from the ownership, operation and



maintenance of or damages to the respective Exchanged Facilities and Service Rights prior to Physical Transfer. Any and all losses, damages, claims, or liabilities arising from or on account of each utility's ownership and/or operation and maintenance of the Exchanged Facilities and Service Rights in the 8400 and 8500 Blocks of Kingston Pike prior to Physical Transfer will remain the responsibility of the respective utility and such utility shall, to the extent permitted by law, defend, indemnify and hold the other harmless from any and all claims, actions, suits, proceedings, costs, expenses, damages and liabilities, including attorneys fees resulting from, arising out of, or connected with such ownership and/or operation and maintenance.

b. After the Physical Transfer of the Exchanged Facilities and Service Rights in the 8400 and 8500 Blocks of Kingston Pike pursuant to Section 4, each utility will operate and maintain such transferred facilities and service rights and will be wholly responsible for the liability or damages to the transferred facilities and service rights arising out of its ownership and/or operation and maintenance of those facilities. Any and all losses, damages, claims or liabilities arising from or on account of the ownership and/or operation of the transferred Exchanged Facilities and Service Rights in the 8400 and 8500 Blocks of Kingston Pike shall be the responsibility of the receiving utility and each such utility shall, to the extent permitted by law, indemnify and hold the other utility harmless from any and all claims, actions, suits or proceedings, costs, expenses, damages and liabilities, including attorney fees resulting from or arising out of or connected with ownership and/or operation and maintenance of the transferred facilities.

c. If, at the time of Physical Transfer, a customer has an existing balance on their water account or wastewater account with the transferring provider of service, the balance due will stay with the transferring provider and will not be transferred to the receiving utility. Neither utility will be under an obligation to assist the other in attempting to collect any such past due balance.

7. Meter Readings and Billings. Immediately prior to the Physical Transfer of the Exchanged Facilities and Service Rights to serve the affected customers in the 8400 and 8500

Blocks of Kingston Pike, as provided in Section 4, the water meter for each affected customer shall be read jointly by KUB and FUD personnel. The transferring utility will issue and collect its final bill for service through the date of such reading. Each receiving utility will thereafter bill and collect for service according to its customary billing practices.

8. Mutual Cooperation. The parties agree that they will cooperate with each other in all matters that are reasonably necessary or desirable to facilitate the performance of their respective obligations under this Agreement with minimum expense, trouble, and interference with service, and each party agrees to comply with any reasonable request of the other party in connection with the performance of this Agreement. Each party agrees that, when requested to do so by the other party, it will furnish to the other party certified extracts from the minutes of each meeting of the board or legislative body where action was taken to approve this Agreement. Each party further agrees to do any act or thing and execute any and all instruments that are necessary and proper to make effective the provisions of this Agreement.

9. Representations By FUD and KUB. FUD and KUB represent and warrant each to the other:

a. The Exchanged Facilities and Service Rights identified in **Exhibit D** represent all of the assets in the 8400 and 8500 Blocks of Kingston Pike to be conveyed by this Agreement and the conveyance of the identified assets represents a complete divestiture of such party's previously owned system assets including service rights and obligations for the affected customers.

b. FUD and KUB each have the right and authority to own and maintain the Exchanged Facilities and Service Rights to be transferred by this Agreement in the 8400 and 8500 Blocks of Kingston Pike as well as the right to convey those facilities and service rights pursuant to this Agreement.

c. No other proceedings on the part of FUD or KUB are necessary to authorize the execution of this Agreement or any transaction required or contemplated by this Agreement.

d. As of the date of this Agreement and through the Closing date, there is no litigation or proceeding pending or threatened against or affecting any of the properties or operations of FUD or KUB's Exchanged Facilities and Service Rights in the 8400 and 8500 Blocks of Kingston Pike before any court or before any governmental department, commission, board, bureau, agency, instrumentality, or administrative body, an adverse determination of which will have an adverse effect on the condition, financial or otherwise, of the properties or operation of the Exchanged Facilities and Service Rights in the 8400 and 8500 Blocks of Kingston Pike, or involves any penalty that might be assessed against such Exchanged Facilities and Service Rights.

e. This Agreement when fully executed and delivered constitutes a legal, valid, binding and enforceable agreement of FUD and KUB.

f. FUD and KUB will each operate their Exchanged Facilities in the 8400 and 8500 Blocks of Kingston Pike until Closing in the normal and usual course of business and will not, prior to the completion of Closing, incur any additional debt with respect to such Exchanged Facilities and Service Rights.

g. The management and staff of FUD and KUB have made reasonable inquiry into the books and records of their respective entity's Water Distribution System and Wastewater Collection and Treatment System and based upon the inquiry and knowledge gained by the ownership, maintenance, construction and operation of their Water Distribution System and Wastewater Collection and Treatment System, believe and have no knowledge to the contrary that neither the execution, delivery, nor performance of this Agreement, nor the compliance with, nor fulfillment of, the terms and provisions of this Agreement does or will violate, conflict with, or result in any breach of any of the terms, conditions, or provisions of, or constitute a default of (or an event which with notice or lapse of time, or both, would become a default of) the legislation authorizing the activities of FUD or KUB, or any bylaws or any governing documents of FUD or KUB, or any agreement, indenture, bond document, lease, mortgage, or other instrument to which FUD or KUB is a party or by which either is bound.

h. As of the date of this Agreement, and through Closing, there are no FUD or KUB customers in the 8400 and 8500 Blocks of Kingston Pike who are owed, or will be owed after Closing any contribution in aid of construction.

10. Approval of Governing Boards. Each party hereto represents and warrants that it has complied in all respects with all laws governing its organization and operation, and that its Board of Commissioners has approved the execution and performance of all of the terms, covenants and conditions of this Agreement.

11. Miscellaneous.

a. All provisions herein shall inure to and become binding upon the administrators, successors, representatives, receivers, trustees, and assigns of the parties hereto.

b. This Agreement and all amendments hereto shall be governed by and construed in accordance with the laws of the state of Tennessee.

c. Any notices hereunder shall be in writing and shall be deemed satisfactorily given and any time period provided for giving such notice herein shall commence when such notice is (i) deposited in United States mail, postage prepaid, certified or registered mail, return receipt requested, or forwarded by a nationally recognized overnight courier service to the addresses of the respective parties specified above, or such other address as may be specified in an original notice forwarded to all parties hereto as herein specified, or (ii) personally delivered to such address.

d. This Agreement is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms herein stated. This Agreement may not be modified, amended, or changed in any manner, nor shall waiver of any provision hereof be effective except by an instrument in writing signed by the party against whom enforcement of such modification, amendment, change, or waiver is sought.

e. The paragraph captions in this Agreement are for convenience only and are not to be construed in interpreting this Agreement. The gender and number terms used herein are used as reference terms only and shall apply with the same effect whether the parties are of the masculine or feminine gender, corporate or other form, and the singular shall likewise include the plural.

f. If any term or provision of this Agreement shall to any extent be held invalid or unenforceable, the remainder hereof, or the application of such term or provision to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

g. This Agreement may be executed in multiple counterparts which shall be construed together as one instrument.

h. The terms of this Agreement shall survive Closing.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first mentioned above.

FIRST UTILITY DISTRICT OF  
KNOX COUNTY, TENNESSEE

BY: \_\_\_\_\_  
ITS: \_\_\_\_\_

KNOXVILLE UTILITIES BOARD

BY: \_\_\_\_\_  
GABRIEL J. BOLAS, II  
President and Chief Executive Officer

STATE OF TENNESSEE

COUNTY OF KNOX

Before me, \_\_\_\_\_, a notary public of the state and county aforesaid, personally appeared \_\_\_\_\_, with whom I am personally acquainted, and who, upon oath, acknowledged himself to be the \_\_\_\_\_ of the First Utility District of Knox County, Tennessee, one of the within named bargainors, a public corporation and that he as such \_\_\_\_\_ being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the public corporation by himself as such \_\_\_\_\_.

Witness my hand and seal at office at \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

\_\_\_\_\_

STATE OF TENNESSEE

COUNTY OF KNOX

Before me, \_\_\_\_\_, a notary public of the state and county aforesaid, personally appeared GABRIEL J. BOLAS, II, with whom I am personally acquainted, and who, upon oath, acknowledged himself to be the President and Chief Executive Officer of Knoxville Utilities Board, one of the within named bargainors, an independent agency of the City of Knoxville, Tennessee, a municipal corporation, and that he as such President and Chief Executive Officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the municipal corporation by himself as such President and Chief Executive Officer.

Witness my hand and seal at office at \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

\_\_\_\_\_

**Exhibit A**

Customer Address	Customer Name	Meter ID
8424 Kingston Pike	Advance Stores Co #7801	5226475950
8502 Kingston Pike	HOLLACALL LLC	0318520966
8508 Kingston Pike	Firestone Stores Inc #027766	1013913224
8512 Kingston Pike	Kenjo Inc Store 38	2640587451
8520 Kingston Pike	Garibaldi LLC	6131048359

Existing KUB wastewater customers to be transferred to FUD

Customer Address	Customer Name	Meter ID
8412 Kingston Pike	Mid America Corporation	9134735419
8414 Kingston Pike	We Luv Pizza LLC	3024069630
8416 Kingston Pike	Smartway of Tennessee LLC	3781504585
8419 Kingston Pike	Sewing Machines Etc	6384753796
8420 Kingston Pike	Cash America Inc of Tennessee	3223860038
8422 Kingston Pike	Knoxville Rustproofing LLC	1499615211

Existing FUD water customers to be transferred to KUB

**Exhibit D**

**FUD to KUB Plant Transfer**

<u>Pipe (Water Main)</u>	<u>Quantity</u>
8-inch AC Pipe	850 ft.
1" Copper Service (Main to Meter)	300 ft.

**Note: There are no Plant Transfers from KUB to FUD as part of this agreement, only Service Rights.**



**Knoxville Utilities Board  
Board Meeting  
Minutes  
Thursday, June 20, 2019 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 20, 2019, pursuant to the public notice published in the January 5, 2019, edition of the *News Sentinel*. Chair Hamilton called the meeting to order at 12:00 p.m.

**Roll Call**

Commissioners Present: Jerry Askew, Kathy Hamilton, Celeste Herbert, Sara Pinnell, Adrienne Simpson-Brown, Tyvi Small, and John Worden.

Commissioner Absent: None

**Approval of Minutes**

The Minutes of the May 16, 2019, Board Meeting were approved as distributed upon a motion by Commissioner Askew and seconded by Commissioner Small.

**Old Business**

None

**New Business**

**Resolution 1399, A Resolution Adopting a Revised Knoxville Utilities Board (“KUB”) Cash Investment Policy**

President Bolas reminded Commissioners that our cash investment policy is reviewed annually to see if any changes are needed. This year’s review has been completed and one minor change related to a new state law was identified. He recognized Mark Walker, Senior Vice President and Chief Financial Officer to provide the details of the change.

President Bolas recommended adoption of Resolution 1399 on first and final reading. His written recommendation is included in Attachment 1.

June 20, 2019

Upon a motion by Commissioner Worden and a second by Commissioner Herbert, Resolution 1399 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Askew, Hamilton, Herbert, Pinnell, Simpson-Brown, Small, and Worden. No Commissioner voted “nay”.

## **President’s Report**

### **Water and Wastewater Cost of Service Studies Results**

President Bolas reminded Commissioners that KUB has been conducting cost of service studies on each of its utilities in anticipation of upcoming long-range financial planning discussions. Studies have been completed on the electric and gas systems and those results have been presented to the Board. He recognized Mike Bolin, Vice President of Utility Advancement, to provide the results of the water and wastewater cost of service studies.

### **Customer Engagement Update**

President Bolas advised Commissioners that KUB is committed to serving its customers and meeting their needs and expectations. We continuously focus on improving the customer experience, as we know this is a key to our mission. He recognized Stephanie Tallent, an Analyst in Customer Experience, to share current customer engagement initiatives and an improved bill format to be introduced in the coming year.

### **Energy and Water Savings Workshops**

President Bolas reminded Commissioners that Liz Hannah, Manager of Executive Services and Environmental Stewardship, delivered a presentation in December on our partnership efforts related to energy and water outreach and education. He recognized Liz to provide an update on those efforts. Harley Bryant, a supervisor in Customer Support and Key Accounts, and Anna Freshour, a Customer Counselor, demonstrated a portion of the energy and water savings workshop.

### **TVA Awards – EnergyRight Solutions**

President Bolas welcomed the TVA representatives attending the Board Meeting today. He recognized Cindy Herron, TVA Vice President of EnergyRight Solutions. Ms. Herron presented a 2018 Top Performer award to Chair Hamilton on behalf of KUB. Mr. Bolas also recognized Christy Cagle-Brooks, Program Manager for Energy Utilization and Marketing, Robbie Ansary, Customer Service Manager, and Amy Edge, General Manager, TVA Northeast District.

June 20, 2019

**Other Business**

None

**Public Comment**

Constance Every – 301 N Chilhowee Drive – Knoxville, TN 37914

Ray Hyde – 2407 Dodson Road – Knoxville, TN 37917

Seema Singh – 1012 West Park – Knoxville, TN 37909

Kent Minault – 311 Glenwood Avenue – Knoxville, TN 37917

**Adjournment**

There being nothing further to come before the Board, Chair Hamilton declared the meeting adjourned at 1:23 p.m.

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Kathy Hamilton, Chair

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Mark Walker, Board Secretary

**Attachments**

Attachment 1	Recommendation Letter and Resolution 1399, A Resolution Adopting a Revised Knoxville Utilities Board ("KUB") Cash Investment Policy	<b><u>Page(s)</u></b> 9483 – 9494
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Knoxville Utilities Board

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June 14, 2019

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

Commissioners:

The Board has previously adopted a cash investment policy for the management and investment of public funds by KUB, reflecting the limitations and requirements of state law governing the investment of public funds. The policy does not cover retirement system investments, as those are governed by separate investment policies adopted by the Board.

The cash investment policy established an Investment Advisory Committee, including the Chief Financial Officer and Manager of Accounting, to provide oversight of KUB's cash investment activities. The policy provides for the Committee to review the policy annually and recommend any changes to the President and CEO and the Board's Audit and Finance Committee.

The review for 2019 has been completed. One change to the policy has been identified, clarifying that a recent state law regarding banking services is not applicable to KUB per consultation with the State Comptroller's Office.

The proposed policy change was discussed with the Board's Audit and Finance Committee at its March 26 meeting. A red-lined version of the policy highlighting the proposed changes is enclosed for your information.

Resolution 1399 adopts a revised cash investment policy, and I recommend its approval on first and final reading.

Respectfully submitted,

A handwritten signature in black ink that reads 'Gabriel J. Bolas II'.

Gabriel J. Bolas II  
President and CEO

Enclosure

## RESOLUTION NO. 1399

### **A Resolution Adopting a Revised Knoxville Utilities Board (“KUB”) Cash Investment Policy**

**Whereas**, as part of its ongoing operations and responsibilities, KUB is charged with the management and investment of public funds; and

**Whereas**, the KUB Board of Commissioners (“Board”) previously adopted Resolution 1381, providing a comprehensive KUB Investment Policy (“Policy”) for the management and investment of such funds; and

**Whereas**, the Policy established an Investment Advisory Committee for providing general oversight of the investment activities of KUB; and

**Whereas**, the Policy requires the Investment Advisory Committee review the Policy on an annual basis; and

**Whereas**, as a result of the recently completed review, the Investment Advisory Committee has proposed a change that clarifies a new state law regarding banking services is not applicable to KUB; and

**Whereas**, the proposed change was discussed with the Board’s Audit and Finance Committee at its meeting on March 26, 2019; and

**Whereas**, the Board finds it to be in the best interest of KUB and its customers to effectuate these modifications by adopting a revised Policy.

### **NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE KNOXVILLE UTILITIES BOARD:**

**Section 1.** That the KUB Investment Policy attached hereto as Exhibit A is hereby adopted and replaces the existing KUB Investment Policy previously adopted by the Board through Resolution 1381.

**Section 2.** That the President and Chief Executive Officer is hereby authorized to implement and maintain the Investment Policy in accordance with its terms and under the laws of the state of Tennessee, and to execute all agreements that may be required or necessary to effectuate the intent of said Investment Policy.

**Section 3.** That the Investment Policy shall always be subject to Tennessee state law provisions governing the deposits and investments of public funds and to the extent any such laws conflict or impose stricter standards than those required under the Investment Policy, the provisions of the Investment Policy shall be conformed and construed to comply with the requirements of state law.

**Section 4. Effective Date:** That this resolution shall take effect immediately upon its passage.

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Kathy Hamilton, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: 6-20-19  
EFFECTIVE DATE: 6-20-19  
MINUTE BOOK 41 PAGE 9484-9494

**Knoxville Utilities Board  
Investment Policy**

June 2019

**I. Scope.**

This Investment Policy (“Policy”) of the Knoxville Utilities Board (“KUB”) governs the investment of all non-pension funds of KUB, whether invested directly by KUB, or on behalf of KUB by a third-party (portfolio manager). These funds include the following:

- General Fund
- Operating Contingency Reserve Fund
- Bond Sinking Fund
- Bond Proceeds Fund
- Economic Development Fund
- Other Funds approved by the KUB Board of Commissioners

**II. Objectives.**

The primary objectives of KUB’s investment activities in descending order of priority are as follows:

1. Safety. Safety of principal is the most important objective of KUB’s investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the total investment portfolio.
2. Liquidity. KUB’s investment portfolio should remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
3. Yield. KUB’s investment portfolio shall be designed with the objective of attaining an approximate market rate of return throughout economic cycles, taking into account the safety of principal and liquidity needs. KUB will establish a benchmark target(s) for measuring performance results as applicable, with said benchmark(s) to be determined by the Investment Advisory Committee, as provided for in Section IV below, and approved by the KUB Board of Commissioners’ Audit and Finance Committee.



### **III. Investment Parameters.**

1. Diversification. KUB will, to the extent possible, reasonably diversify its investments by type of investment and institution.
2. Maturities. KUB will limit its investments to securities having the maximum stated maturity provided for under state law, unless specific approval is received from the Comptroller of the Treasury or the Comptroller's designee for a longer maturity than the maximum allowed. As of July 1, 2004, the maximum is four (4) years from the date of investment (T.C.A 6-56-106).
3. Placement. If all higher investment objectives as set forth in Section II of this Policy are satisfied, investments will generally be placed with the institution whose percentage yield produces the greatest interest income to KUB.

Excluding any investments made on behalf of KUB by a third-party investment manager, investments will, to the extent possible, be placed through a formal and competitive process requiring the solicitation and evaluation of at least three (3) bids. In this case, the offer that provides the highest rate of return while meeting KUB's overall investment objectives will be accepted. In the event a security must be sold, the bid which generates the highest net sales price will be accepted. Investments may be moved from one institution to another when the rate of return (net of any transaction fees) can be improved, provided that safety and liquidity requirements are not diminished.

### **IV. Standard of Care and Oversight.**

1. Prudence. The standard of care by which investment decisions shall be judged shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio.

A "prudent person" standard of care is generally defined as requiring investments to be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital. (See T.C.A. 35-14-112).

2. Ethics and Conflicts of Interest. KUB employees involved in the investment process shall not be directly interested in either a financial institution in which KUB funds are deposited, or in the business of a third-party with which KUB contracts for investment services. "Directly interested" means any contract with the KUB employee personally or

with a business in which the KUB employee is a sole proprietor or a partner or in which the KUB employee owns or controls more stock than any other individual (T.C.A. 12-4-101 and 6-54-107). If any KUB officer or employee involved in the investment process has any direct interest or material indirect interest in either a financial institution in which KUB funds are deposited or in the business of a third-party with which KUB contracts for investment services, such interest shall be reported in writing to the Chair of the Investment Advisory Committee. KUB officers and employees involved in the investment process shall refrain from undertaking personal investment transactions with the same employee or officer of a financial institution or a broker or dealer with whom business is conducted on behalf of KUB. A representative of the Investment Advisory Committee shall perform a periodic survey of KUB officers and employees involved in the investment process to help ensure that no such conflicts exist.

3. Investment Advisory Committee. KUB shall establish an Investment Advisory Committee, whose members shall be appointed by the President and CEO. The Investment Advisory Committee will be chaired by the Chief Financial Officer (“CFO”) and consist of a minimum of three members, including the Vice-President of Finance and the Manager of Accounting. The Investment Advisory Committee will be responsible for general oversight of KUB’s investment activities and for establishing any written procedures and/or internal controls (not provided for in this Policy) for the operation of the investment program. The Investment Advisory Committee shall meet on an as needed basis; however, this should not be less than once each fiscal year. A representative of the Committee will take minutes for each meeting and keep them on record.
4. Management Authority. The CFO shall be responsible for all transactions undertaken under this Policy. The CFO shall designate those KUB employees authorized to execute investment transactions on behalf of KUB. The Manager of Accounting (or such other individuals designated by the CFO) shall be responsible for the daily operation of KUB’s investment program, and shall carry out any established written procedures and/or internal controls for the operation of the investment program.
5. Third-Party Portfolio Management. KUB may utilize the services of a third-party investment firm to invest a portion of or all of KUB investment funds on behalf of KUB. The selection of any such third-party portfolio manager shall be conducted through a Request for Proposal (RFP) process. The selection of any such portfolio manager must receive the approval of the KUB Board of Commissioners’ Audit and Finance Committee. The portfolio manager shall be required to abide by all applicable requirements for investing KUB funds as provided for under Tennessee state law and this Policy. A representative of the portfolio manager shall be required to report investment results to at least one

representative of the Investment Advisory Committee on no less than a quarterly basis.

**V. Safekeeping and Custody.**

1. Deposit of Funds. All funds received by KUB shall be deposited immediately into an appropriate KUB account in a financial institution designated as a public depository in accordance with requirements of Tennessee state law and KUB Resolution 899. (T.C.A. 6-56-111). When collateralization is required for such deposits, the financial institution shall be required to enter into an agreement to properly collateralize KUB deposits in accordance with Resolution 899 and Tennessee state law (T.C.A. 9-4-504).

The Tennessee General Assembly amended TCA 6-56-110 effective July 1, 2019, to require municipalities in the state to contract with a bank or banks for the deposit of municipal funds based on the best proposal received from the bank or banks, with a required review by the municipality's governing body at least once every four years. As KUB is an independent agency of the City of Knoxville that manages its own investment of public funds, the Comptroller of the Treasury of Tennessee has determined and provided written documentation that the amended TCA 6-56-110 is not applicable to KUB.

2. Internal Controls. The following internal controls will guide the operation of the investment program. The Investment Advisory Committee is authorized to establish any additional controls as deemed necessary.
  - A. Separation of transaction authority from account and record-keeping. The employee who authorizes or performs the transaction shall be separate from the person who records or otherwise accounts for the transaction.
  - B. Custodial safekeeping. Securities purchased from any bank or dealer including eligible collateral (T.C.A. 9-4-103) shall be placed with an independent third-party for custodial safekeeping. A custodial trust agreement shall be executed with all financial institutions designated as custodians.
  - C. Book entry for securities. The buying and selling of securities (including for purposes of collateralization) should be done on a book-entry basis if at all possible. Any securities that must be physically delivered to KUB should be properly safeguarded against loss or destruction. The Manager of Accounting shall be responsible for ensuring the safekeeping of any physical securities.

- D. Clear delegation of authority. The Manager of Accounting (or such other individual designated by the CFO) shall provide for the clear delegation of authority to subordinate staff members responsible for executing investment transactions and accounting for investment transactions. Those individuals responsible for executing investment transactions shall be designated to do so in writing by the CFO.
  - E. Written confirmation of telephone transactions and wire transfers. All investment transactions executed via telephone shall be supported by appropriate written documentation. Written communication may be via electronic media or fax if provided on letterhead and the safekeeping institution maintains a list of authorized signatures.
  - F. Wire transfer agreements. KUB shall execute wire transfer agreements with applicable financial institutions and third-party custodians. These agreements should outline the various controls and security provisions and delineate responsibilities of each party making and receiving wire transfers.
3. Delivery vs. Payment. All investment transactions where applicable will be executed by delivery versus payment. Securities will be held by third-party custodians as evidenced by safekeeping receipts.

## **VI. Investment Services.**

- 1. Any financial institution and broker/dealer who desires to provide investment services to KUB must supply the following information as appropriate:
  - A. Required Federal or State Report with current registrations and current filings.
  - B. Current audited financial statements for parent financial institution.
  - C. Acknowledgement of having received a copy of this Policy.
  - D. Current statement on Collateralization Policy.

## **VII. Authorized Investments.**

- 1. Investment Types. KUB is limited to investments authorized by Tennessee state law (T.C.A. 6-56-106). This includes investments made directly by KUB personnel or by an investment manager on behalf of KUB. These investments shall have a maturity of not greater than four years from the date of investment unless a longer maturity is approved by the Comptroller of the Treasury or the Comptroller's designee. These investments are as follows:

- A. Bonds, Notes or Treasury Bills of the United States.
  - B. Nonconvertible debt securities of the following federal government sponsored enterprises that are chartered by the United States congress; provided, that such securities are rated in the highest category by at least two (2) nationally recognized rating services: the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, or other securities that are authorized by Tennessee state law.
  - C. Any other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies.
  - D. Certificates of Deposit and other evidences of deposit at state and federally chartered banks, and savings and loan associations. All such deposits shall be collateralized by securities described in T.C.A. 9-4-103 unless (1) the aggregate balance of KUB's deposits then in such a depository does not exceed the amount for which full security is provided for such deposits by the FDIC, or (2) the depository participates in the State Collateral Pool under T.C.A. 9-4-501 et. seq.
  - E. Repurchased Agreements collateralized by obligations of the United States or its agencies, if purchased in accordance with the procedures established by the state funding board, this Investment Policy, and pursuant to the Master Repurchase Agreement adopted in Resolution 723 (See also Section VII(4) below).
  - F. The local government investment pool (LGIP).
  - G. Bonds or notes of KUB or the City of Knoxville.
  - H. Bonds and notes of local governments of the State of Tennessee.
  - I. Prime banker' acceptances, which are eligible for purchase by the Federal Reserve System.
  - J. Prime commercial paper which is rated at least A1 or equivalent by at least two nationally recognized rating services.
2. Proceeds of bonds, notes, and other obligations and reserves. These funds may be invested in obligations, which are rated in either of the two highest rated categories by a nationally recognized rating agency of such obligations. The investment must also be a direct general obligation of a state of the United States, a political subdivision or instrumentality thereof, having general taxing powers, and have a final maturity on the date of investment of not to exceed forty-eight months or that may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than forty-eight month intervals (T.C.A. 6-56-106).

3. Collateralization. In accordance with T.C.A. 9-4-105 and 9-4-111, with the exception of the amount of funds protected by the FDIC, collateralization at 105 percent (valued at market) will be required on all investments. A custodial trust agreement with a Federal Reserve member bank to provide for the custody of the purchased securities is required prior to any transaction (T.C.A. 9-4-107). A security agreement (in the form provided by KUB) with the institution providing the investment is also required prior to any transaction. The security agreement must be in writing and executed by the depository institution contemporaneously with the acquisition of the asset. In lieu of the foregoing, collateralization may be provided by the financial institution through the state of Tennessee collateral pool.

Collateral which is authorized for use is limited by T.C.A. 9-4-103 and this Investment Policy to the following:

- A. Bonds of the United States or any of its agencies.
  - B. Obligations guaranteed by the United States or any of its agencies, the payments of which are fully guaranteed both as to principal and interest by the United States.
  - C. Bonds of the state of Tennessee, including any revenue bonds issued by any agency of the state specifically including institutions under the control of the state board of regents, the board of trustee of the University of Tennessee and bonds issued in the name of the state school board authority.
  - D. Bonds of any utility district, county or Municipal Corporation of the state of Tennessee.
  - E. Bonds that are rated "A" or higher by any nationally recognized rating service and which are issued under the provisions of T.C.A. title 7, chapters 37 (Industrial Building Revenue Bond Act), 53 (industrial development corporations); or T.C.A. title 48, chapter 101, part 3 (health, educational and housing facilities corporations).
4. Repurchase Agreements. Repurchase agreements are the sale by a bank or dealer of a government security with the simultaneous agreement to repurchase the security on a later date. Resolution 723 provides for KUB to utilize repurchase agreements provided they are used in accordance with state law requirements and procedures established by the Comptroller of the Treasury or the Comptroller's designee. These procedures provide that:
    - A. Up to 100 percent of KUB's funds may be invested in repurchase agreements.

- B. A master repurchase agreement (in the form provided by KUB) applicable to all sales and repurchase transactions between KUB and seller must be executed.
- C. A custodial agreement (in the form provided by KUB) with a member bank of the Federal Reserve must be executed prior to any transactions.
- D. A seller under a repurchase agreement shall not also be the custodian.
- E. Reverse repurchase agreements are prohibited.
- F. For each repurchase transaction, the market value of the collateral shall be at least 102 percent of the purchase price of the securities, including interest accrued at the time of purchase.
- G. Eligible securities shall be obligations of the United States or its agencies. The maturity date of the securities shall exceed the term of the repurchase agreement and the market value of the securities must be more than the amount of funds invested.
- H. The term of any repurchase agreement may not exceed 90 days.
- I. All purchased securities shall be delivered simultaneously against payment to the custodian in an account established solely for the safekeeping of KUB.
- J. Unless specifically agreed to by both KUB and the seller, neither party shall have the right to substitute securities for those securities purchased on the date of purchase. Any securities so substituted must be of equal value or greater market value than the securities substituted.
- K. Any transactions effected under individual repurchase agreements shall be confirmed in writing by the seller to both KUB and the custodian.
- L. KUB shall require the custodian to provide, after any daily activity, a written statement of all account transactions.
- M. KUB shall maintain all applicable records pertaining to individual repurchase agreements pursuant to Tennessee state law (T.C.A. 10-7-404).

### **VIII. Reporting Requirements.**

1. Methods. The following reporting requirements shall be applicable for KUB's investment program:
  - A. A daily report of all KUB investment activities, including investments managed directly by KUB and/or a third-party portfolio manager on behalf of KUB, shall be prepared by KUB personnel responsible for such activities. This report shall be provided to the Manager of Accounting.

- B. A monthly report listing all investments held by KUB shall be prepared and submitted to the CFO by the Manager of Accounting. This report shall also be submitted to each member of the Investment Advisory Committee. This monthly report will include investments by division.
  - C. Applicable KUB investments shall be reported monthly on a marked to market basis. The marked to market value of the investment shall be reported on KUB's financial statements accordingly. Values used to reflect the market value of these investments shall be obtained from a reputable and independent source.
  - D. In the event KUB uses a third-party portfolio manager to invest funds on the behalf of KUB, the portfolio manager shall prepare a written report each quarter detailing all investment activity for the period including a discussion on performance in relation to any benchmarks. This report shall be provided to the Chief Financial Officer and each member of the Investment Advisory Committee.
  - E. The Chief Financial Officer and/or the Vice President of Finance shall provide a periodic investment review to the Board's Audit and Finance Committee, the frequency of which shall be determined by the Audit and Finance Committee; however, such review shall occur no less than annually. This review shall include a detailed overview of overall investment performance for the previous year including a comparison against any applicable benchmarks. This review shall also address the impact of investment performance on KUB's overall financial performance for the year, including a discussion of any significant gains or losses from the selling/liquidation of investments prior to maturity.
2. Performance Standards. The investment portfolio shall be managed in accordance with the parameters specified in this Investment Policy. Investment performance should be compared to appropriate benchmarks on a regular basis.
  3. Separate Accounts. KUB shall keep separate books and accounts for the investments of each respective division. Funds of the separate divisions may be combined or pooled when invested to earn a higher interest rate. The distribution of interest income from pooled investments shall be allocated to individual divisions proportionally, based on each division's contribution at the time of investment.
  4. Review and Revision of Investment Policy. The Investment Advisory Committee will annually review this Investment Policy and recommend any necessary revisions to the President and CEO and the Board's Audit and Finance Committee. Any changes to this Investment Policy must be approved by the KUB Board of Commissioners.