



Knoxville Utilities Board

**Board Meeting Agenda
Thursday, October 21, 2021
Noon**

Call to Order

Roll Call

Approval of Minutes

Official Action

Consideration of Nominees for Commissioner Term beginning January 1, 2022

Resolution 1446 – A Resolution Amending the Existing Purchased Power Adjustment of the Electric Division, as Previously Established by Resolution No. 1065, as Heretofore Amended, to Address Changes to Wholesale Power Supply Costs Provided by the Tennessee Valley Authority's Pandemic Recovery Credit Program – 2nd Reading

President's Report

Public Comments

Adjournment



October 15, 2021

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

Commissioners:

The October 21 Board meeting agenda includes two official action items, including the selection of nominees to be sent to the City Mayor to fill the Board seat to be vacated by Commissioner Worden at the end of this year (no resolution), and the resolution amending the Purchased Power Adjustment (PPA) on second and final reading regarding the use of Pandemic relief assistance provided by TVA.

Resolution 1446 (Second Reading)

Resolution 1446 amends the Electric Division's Purchased Power Adjustment (PPA) related to the use of Pandemic Recovery Credits from TVA.

At its meeting in August, the TVA Board approved \$220 million in Pandemic Recovery Credits to be provided to its customers, including local power companies like KUB, over a 12-month period beginning in October. KUB will receive its credits through its monthly wholesale power invoice from TVA.

As you may recall, KUB's Pandemic Recovery Credits have two components: a 2.5% credit for standard service power costs and a 2.5% credit for non-standard service power costs. Non-standard service costs represent power purchased from TVA for our largest commercial and industrial electric customers. The credits associated with non-standard service must be applied directly to the monthly bills of those customers.

Staff has proposed to use the estimated \$7.3 million in standard service credits as follows:

- Use \$1.3 million to make funds available for customers with payment arrangements for past due bills. KUB has approximately 2,000 customers with an outstanding balance on payment arrangements. KUB is coordinating this effort with the Knoxville-Knox County Community Action Committee (CAC). We will notify all customers with outstanding payment arrangements. Customers will need to contact CAC who will confirm the payment arrangement. CAC will notify KUB and KUB will apply a credit on the customer's bill eliminating the outstanding balance.

- Flow the remaining \$6 million to all standard service electric customers (residential and commercial) through lower rates over the next 12 months. The average residential electric customer would save \$17 for the 12-month period, offsetting about 40% of the electric rate increase that will take effect during that same 12-month period. A mid-sized business customer would save about \$260 over the same period.

We considered allocating the entire \$7.3 million for utility bill assistance for customers, however, there is currently a significant amount of financial assistance available in our area for utility bills. Including federal grants, Project Help, and our CURE (COVID Utility Relief Effort) program, there is over \$25 million in funds available to our customers for utility bill assistance over the next 12 months.

Due to the amount of available assistance and given the Board recently approved annual 3% electric rate increases over the next three years beginning April 2022, staff felt it was appropriate for all residential and business electric customers to receive a portion of the power cost credits.

There was some discussion at the last meeting about allocating this credit in a different manner, which is certainly at the Board's discretion. Should the Board desire to make such a change, I would still recommend the Board adopt Resolution 1446 on second reading, so we can begin applying the proposed \$1.3 million in assistance for customers with outstanding payment arrangements as soon as possible. We would then bring the Board an additional amendment to the PPA for consideration in November and December, reflecting the revised allocation of the credits in accordance with the Board's wishes.

Resolution 1446 is enclosed for your information. I recommend its adoption on second and final reading at the October 21 meeting.

Respectfully submitted,



Gabriel J. Bolas II
President and CEO

RESOLUTION NO. 1446

A Resolution Amending the Existing Purchased Power Adjustment of the Electric Division, as Previously Established by Resolution No. 1065, as Heretofore Amended, to Address Changes to Wholesale Power Supply Costs Provided by the Tennessee Valley Authority's Pandemic Recovery Credit Program

Whereas, Knoxville Utilities Board of Commissioners (the "Board") has rate setting authority pursuant to Article XI of the Charter of the City of Knoxville; and

Whereas, the Board previously adopted Resolution No. 1065, as heretofore amended, providing for a Purchased Power Adjustment ("PPA") for the Electric Division; and

Whereas, Knoxville Utilities Board ("KUB") purchases its full electric power requirements from the Tennessee Valley Authority ("TVA"); and

Whereas, the communities in KUB's service territory continue to be impacted by the worldwide COVID-19 pandemic; and

Whereas, the TVA Board of Directors recently approved a one-year extension of pandemic relief financial assistance ("Pandemic Recovery Credits") for local power companies to invest in their communities and support those they serve; and

Whereas, TVA's Pandemic Recovery Credits include two categories, one based on Standard Service volumes, and the other based on the volumes of each Non-Standard Service customer; and

Whereas, KUB will receive Pandemic Recovery Credits from TVA on the monthly wholesale power invoice for the period October 2021 to September 2022; and

Whereas, it is estimated the Standard Service Pandemic Recovery Credits to be received by KUB will total \$7,300,000; and

Whereas, it is KUB staff's recommendation to use \$1,300,000 of the Standard Service Pandemic Recovery Credits to make funds available for customers with payment arrangements for past due balances accrued during the Pandemic crisis; and

Whereas, the remaining balance of credits shall automatically flow through to all Standard Service customers via the PPA and be reflected in lower rates; and

Whereas, the Board has determined, upon recommendation from KUB staff, that it is in the best interest of KUB, its customers, and the community to utilize the Pandemic Recovery Credits for both utility bill assistance to specific customers and reduced rates for all KUB customers; 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 during the KUB fiscal year ending June 30, 2022, an accounting entry shall be made which excludes \$520,000 of Pandemic Recovery Credit from Unrecovered Purchased Power Adjustment - Demand, Account EL191010, and excludes \$780,000 of Pandemic Recovery Credit from Unrecovered Purchased Power Adjustment - Commodity, Account EL191020.

Section 2. That this Resolution shall be effective upon second and final reading.

Jerry Askew, Chair

Mark Walker, Board Secretary

APPROVED ON 1st
READING: 9-16-21
APPROVED ON 2nd
READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK 44 PAGE _____