



LOUDON UTILITIES

P.O. BOX 69

LOUDON, TENNESSEE 37774

A G E N D A

BOARD OF DIRECTORS OF LOUDON UTILITIES

October 26, 2020

4:30 PM

1. Call to Order
2. Recognition of Visitors
3. Approval of Minutes
 - A. Regular Meeting –September 28, 2020
4. Financial Reports
5. Items for Board Action
 - A. A Resolution Recommending to the City Council of the City of Loudon, Tennessee, the Issuance and Sale by the City of Water and Sewer System Revenue Bonds, in One or More Series, in an Aggregate Principal Amount not to Exceed \$20,000,000, (Which Such Bonds may be Issued as Tax-Exempt Bonds or Taxable Bonds) and the Adoption of a Bond Resolution Authorizing the Issuance and Sale of Said Bonds, Defining the Terms and Conditions of Said Bonds and Setting Forth the Obligations of the City and the Loudon Utilities Board with Respect to Said Bonds and the City's Water and Sewer System
 - B. Authorizing Waterline Replacement in Grove Place
 - C. Establishing Natural Gas Rates Effective November 2020
6. Other
 - A. TVA Community Care Grant
 - B. Tennessee Valley Authority Fuel Cost Adjustment
 - C. Executive Session
7. Adjournment



LOUDON UTILITIES

P.O. BOX 69

LOUDON, TENNESSEE 37774

To: Chairman Campbell and Board Members
From: Ty Ross
Subject: October Agenda Items
Date: October 23, 2020

The following items appear on the agenda for the October 26, 2020 meeting of the Board of Directors of Loudon Utilities:

Recognition of Visitors.

Items for Board Action.

- A. A Resolution Recommending to the City Council of the City of Loudon, Tennessee, the Issuance and Sale by the City of Water and Sewer System Revenue Bonds, in One or More Series, in an Aggregate Principal Amount not to Exceed \$20,000,000, (Which Such Bonds may be Issued as Tax-Exempt Bonds or Taxable Bonds) and the Adoption of a Bond Resolution Authorizing the Issuance and Sale of Said Bonds, Defining the Terms and Conditions of Said Bonds and Setting Forth the Obligations of the City and the Loudon Utilities Board with Respect to Said Bonds and the City's Water and Sewer System. Current market conditions provide the opportunity to refinance water and sewer debt at lower interest rates. Included in your packet is a resolution recommending to the City Council for existing water and sewer debt to be refinanced with Bonds at a negotiated sale with Piper Sandler. Refinancing options with other lenders are also being evaluated. A summary of the results will be presented at the meeting.



LOUDON UTILITIES

P.O. BOX 69
LOUDON, TENNESSEE 37774

- B. Authorizing Waterline Replacement in Grove Place. LUB staff recently completed engineered plans and specs for replacement of water main at Grove Place Condominiums. This project was bid and the low bidder was Lee Utility Construction at a cost of \$120,610. This project is put forward as a recommended amendment to this year's capital work program.
- C. Establishing Natural Gas Rates Effective November 2020. The cost of natural gas delivered to the City Gate decreased for the month of October 2020. Utilizing the formula for natural gas rates, this converts into a rate of \$1.11 per 100 cubic feet for gas billed after November 1, 2020.

Other.

- A. TVA Community Care Grant. TVA announced a 2nd Round of funding in response to the pandemic. \$10,000 is available at the dollar for dollar matching level. Below is a list of schools in our service area that have identified a need for WIFI stations to benefit students after hours. These stations would be located at strategic locations identified by the schools.

School	Students in Need	#Access Points	Cost
Loudon High School	15%	3	\$3,345
Steekee	13.4%	1	\$1,115
Philadelphia	13.2%	2	\$2,230
Fort Loudoun Middle	12.8%	2	\$2,230
Greenback	10.6%	3	\$3,345
Loudon Elementary	10.6%	1	\$1,115
			\$11,150

In addition, we would suggest that the remainder go to the Loudon County Good Samaritan charitable organization for utility bill relief for needy households.

- B. Tennessee Valley Authority Fuel Cost Adjustment. The TVA FCA for November 2020 increased from \$0.01428 per kWh to \$0.01544 per kWh. The rate will result in a \$1.16 increase for each 1,000 kWh of residential customers use.
- C. Executive Session.



LOUDON UTILITIES

P.O. BOX 69

LOUDON, TENNESSEE 37774

NOTICE OF ELECTRONIC MEETING ACCESS & INFORMATION

To ensure government operations continue to function openly and transparently during the COVID-19 emergency while taking measures to protect the health and safety of citizens and government officials, Governor Bill Lee issued Executive Order No. 16 on March 20, 2020 allowing governing bodies to conduct essential business by electronic means. A link to the Electronic Meeting Access & Information is available online at:

WWW.LOUDONUTILITIES.ORG

Join the Zoom Meeting using your computer, tablet, iPad, and/or smartphone:

<https://loudonutilities.zoom.us/j/6429958536?pwd=WVRYQzEyaXc1c0lrUUhjWkVTYWZjd09>

Meeting ID: 642 995 8536

Password: LoudonTN

One tap mobile

+13017158592,,6429958536# US (Germantown)

+13126266799,,6429958536# US (Chicago)

Dial by your location

+1 301 715 8592 US (Germantown)

+1 312 626 6799 US (Chicago)

+1 929 205 6099 US (New York)

+1 253 215 8782 US (Tacoma)

+1 346 248 7799 US (Houston)

+1 669 900 6833 US (San Jose)

Meeting ID: 642 995 8536

All participants will be muted upon entry to the Zoom Room.
During the appropriate times, the moderator will unmute any participant who would like to speak.

If you have questions or requests for special accommodations, please contact us at 865-458-2091.

**REGULAR MEETING
LOUDON UTILITIES**

September 28, 2020

The Board of Directors of Loudon Utilities held its properly advertised regular meeting on September 28, 2020, at 4:30 p.m., in the public meeting space of the Loudon Municipal Building. Those present were Chairman Don P. Campbell, Directors Gene Farmer (videoconference), Tim Dixon, Carlie McEachern, and Bart Watson. Others present were Manager Ty Ross, Nicole Curtis, John Davis, Bill Watkins, Attorney Kris Frye, and Secretary Meghan Hull. Parker Wright, *Loudon County NewsHerald*, represented the press. Chip Lynn video recorded the meeting for redskinradio.com. Also present or attending by videoconference were approximately ten (10) citizens and employees.

Chairman Campbell welcomed everyone and called the meeting to order. Campbell read a statement defining the meeting being held by videoconference pursuant to Executive Order No. 16 to protect the safety and health of the citizens of Loudon from the coronavirus outbreak.

Chairman Campbell called for a roll call of the Board. Board Members Campbell, Dixon, McEachern, and Watson were on premise with Board Member Farmer attending by videoconference.

Chairman Campbell asked if anyone wished to speak to the Board about anything not on the agenda. There was no response.

Chairman Campbell asked for approval of the minutes of the regular meeting held on August 24, 2020. **A motion was made by Director McEachern, seconded by Director Watson and unanimously passed that the minutes of the regular meeting held on August 24, 2020 be approved as written.**

Financial Reports were distributed for the workshop. Finance Director Curtis gave a presentation at that time on the financial reports. **A motion was made by Director Dixon, seconded by Director Watson and unanimously passed that the reports be received and placed on file.**

The first item for Board action was to consider a contract for a Tellico Village Property Owner's Association water sales agreement. TVPOA will be meeting on Wednesday, October 7, 2020 to present the agreement to their board. **A motion was made by Director Dixon and seconded by Director Watson that the following resolution be approved:**

RESOLUTION NO. 2020-37

**AUTHORIZING WATER SALES AGREEMENT WITH
TELLICO VILLAGE PROPERTY OWNER'S ASSOCIATION**

Upon a roll call vote, the resolution was passed unanimously.

The next item for Board action was a power supply flexibility agreement with the Tennessee Valley Authority. There could be a large solar energy producer in the area

shortly. **A motion was made by Director Farmer and seconded by Director McEachern that the following resolution be approved:**

RESOLUTION NO. 2020-38

**APPROVING A POWER SUPPLY FLEXIBILITY AGREEMENT
WITH THE TENNESSEE VALLEY AUTHORITY**

Upon a roll call vote, the resolution was passed unanimously.

Board next considered the removal of roofing insulation at the Operations Center in preparation of roof repair and replacement. **A motion was made by Director McEachern and seconded by Director Watson that the following resolution be approved:**

RESOLUTION NO. 2020-39

**AUTHORIZING THE INSULATION REMOVAL
OF OPERATIONS CENTER ROOFING**

Upon a roll call vote, the resolution was passed unanimously.

Board discussed the repair and replacement of the roofing at the Operations Center. The material being used is pre-insulated. **A motion was made by Director McEachern and seconded by Director Dixon that the following resolution be approved:**

RESOLUTION NO. 2020-40

**AUTHORIZING THE REPAIR AND REPLACEMENT
OF OPERATIONS CENTER ROOFING**

Upon a roll call vote, the resolution was passed unanimously.

The last item for Board consideration was to set the natural gas rate. **A motion was made by Director Dixon and seconded by Director Watson that the following resolution be approved:**

RESOLUTION NO. 2020-41

**ESTABLISHING NATURAL GAS RATES
EFFECTIVE OCTOBER 2020**

Upon a roll call vote, the resolution was passed unanimously.

Manager Ross stated that the Tennessee Valley Authority fuel cost adjustment had increased \$0.01271 per kWh to \$0.01428 per kWh. This results in a \$1.57 increase for each 1,000 kWh of residential customer usage.

There being nothing further, Chairman Campbell adjourned the meeting at 4:50 p.m.

Secretary

Chairman

RESOLUTION NO. 2020-__

A RESOLUTION RECOMMENDING TO THE CITY COUNCIL OF THE CITY OF LOUDON, TENNESSEE, THE ISSUANCE AND SALE BY THE CITY OF WATER AND SEWER SYSTEM REVENUE BONDS, IN ONE OR MORE SERIES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000, (WHICH SUCH BONDS MAY BE ISSUED AS TAX-EXEMPT BONDS OR TAXABLE BONDS) AND THE ADOPTION OF A BOND RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SAID BONDS, DEFINING THE TERMS AND CONDITIONS OF SAID BONDS AND SETTING FORTH THE OBLIGATIONS OF THE CITY AND THE LOUDON UTILITIES BOARD WITH RESPECT TO SAID BONDS AND THE CITY'S WATER AND SEWER SYSTEM

WHEREAS, the City of Loudon, Tennessee (the "City") owns a municipal water and sewer system (the "System"), which is managed, operated and controlled by the Loudon Utilities Board (the "Utilities Board"); and

WHEREAS, the Utilities Board has determined that, for the purpose of achieving debt service savings, it is in the best interest of the City to issue its water and sewer system revenue bonds in an aggregate amount not to exceed \$20,000,000 (the "Bonds") and use the proceeds thereof to refinance all or a portion of the City's outstanding (a) Water and Sewer Revenue Exempt Facility Bonds, Series 2012A, (b) State Revolving Fund Loan Agreements identified as 98-018, DWF 00-036, DWF 00-030, 00-143, 00-144 and 07-074 with the Tennessee Local Development Authority and the Tennessee Department of Environment and Conservation, and (c) Water and Sewer Revenue Bonds, Series 2018 and 2019 (collectively, the "Outstanding Bonds"); and

WHEREAS, the Utilities Board recommends that the City issue the Bonds as federally tax-exempt bonds (the "Tax-Exempt Bonds") or federally taxable bonds (the "Taxable Bonds") or any combination thereof, as the City and the Utilities Board, in consultation with the Underwriter and Bond Counsel (as hereinafter defined), determine to be most advantageous to the City taking into account financial and federal tax implications of the Bonds; and

WHEREAS, it is the intention of the Utilities Board to adopt this resolution for the purposes of recommending to the City Council of the City the issuance and sale of the Bonds in aggregate principal amount of not to exceed \$20,000,000, and the adoption of a bond resolution authorizing the issuance and sale of said bonds, defining the terms and conditions of said bonds and setting forth the obligations of the City and the Utilities Board with respect to said bonds and the System;

WHEREAS, principal and interest on the Bonds will be solely payable from and secured by a pledge of the income and revenues to be derived from the operation of the System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System, and on parity with the pledge of such revenues in favor of the City's outstanding Water and Sewer Revenue Refunding Bond, Series 2012B and any Outstanding Bonds that are not refinanced in accordance with the terms hereof (together, the "Parity Obligations").

NOW THEREFORE, BE IT RESOLVED by the Utilities Board of the City of Loudon, Tennessee, as follows:

Section 1. The Utilities Board hereby recommends to the City Council of the City the adoption of a bond resolution (the “Bond Resolution”) authorizing the issuance of not to exceed \$20,000,000 in aggregate principal amount of Bonds for the purpose of refinancing the Outstanding Bonds and financing the costs of issuance of the Bonds.

Section 2. The Utilities Board further recommends that the City issue the Bonds as Tax-Exempt Bonds or Taxable Bonds, or any combination thereof, as the City and the Utilities Board, in consultation with the Underwriter and Bond Counsel, determine to be most advantageous to the City taking into account financial and federal tax implications of the Bonds.

Section 3. Upon the adoption of the Bond Resolution by the City Council of the City, the City is hereby requested to sell the Bonds at a negotiated sale to Piper Sandler & Co. (the “Underwriter”) subject to final approval by the General Manager of the Utilities Board. The Board’s officers and the General Manager of the Utilities Board, and any of them, are hereby authorized to take such actions and do such things as shall be necessary to cause the Bonds to be sold to the Underwriter, including, without limitation, the execution and delivery of a bond purchase agreement to the Underwriter.

Section 4. The Bonds shall be payable from and secured by a pledge of the income and revenues to be derived from the operation of the System, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System, and on a parity and equality of lien with the Parity Obligations. The resolution of the City authorizing the Bonds shall include covenants and agreements relating to the security for the Bonds, the operation of the System, management of the financial and other affairs of the System, the issuance of additional bonds payable from the revenues of the System, payment of principal of and interest on the Bonds, defeasance of the Bonds, amendment of the resolution and such other or additional terms and provisions as the General Manager of the System shall deem necessary and desirable in order to market the Bonds at reasonable rates and terms. The General Manager of the System is authorized and directed to negotiate with the Underwriter the specific terms of the Bonds and the resolution authorizing said Bonds and present said resolution to the City Council for adoption. The Utilities Board hereby covenants and agrees to be bound by the covenants and agreements set forth in the resolution or incorporated therein by reference in the operation and management of the System and the affairs thereof.

Section 5. The Utilities Board hereby also recommends to the City Council of the City the engagement of Bass, Berry & Sims PLC to serve as bond counsel (the “Bond Counsel”) in connection with the issuance of the Bonds.

Section 6. The officers of the Utilities Board and the General Manager of the System, and any of them, are hereby authorized to execute and deliver all certificates and documents as any of them shall deem necessary and advisable in connection with the sale and delivery of the Bonds.

Section 7. This resolution shall be in immediate effect the public welfare requiring it.

Adopted and approved this ____ day of October, 2020.

Attest:

Secretary

Chairman

STATE OF TENNESSEE)
)
COUNTY OF LOUDON)

I hereby certify that I am the duly qualified and acting Secretary of the Utilities Board of the City of Loudon, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a meeting of the Board held on October __, 2020; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to the recommendation of the issuance by the City of Loudon of not to exceed \$20,000,000 in aggregate principal amount of water and sewer revenue bonds.

WITNESS my official signature this ____ day of _____, 2020.

Secretary

RESOLUTION NO. 2020-__

**AUTHORIZING
WATERLINE REPLACEMENT
IN GROVE PLACE**

WHEREAS, Loudon Utilities has identified a section of waterline to be replaced in Grove Place; and

WHEREAS, The Utility Manager has recommended the replacement of the Grove Place waterline by Lee Utility Construction, Inc. in the approximate amount of \$120,610.

NOW, THEREFORE, BE IT RESOLVED by the Loudon Utility Board as follows:

Section 1. The Loudon Utility Board hereby authorizes the waterline replacement in Grove Place by Lee Utility Construction, Inc. in the approximate amount of \$120,610.

Secretary

Chairman

Passed: _____

RESOLUTION NO. 2020-__

**ESTABLISHING NATURAL GAS RATES
EFFECTIVE NOVEMBER 2020**

WHEREAS, Loudon Utilities purchases natural gas at the first of the month index price; and

WHEREAS, It is therefore necessary to change the natural gas rate each month based on the price of gas that is being purchased for resale; and

WHEREAS, The Utility Manager has recommended the price for the sale of gas for customers other than interruptible and process load customers be set at \$1.11 per 100 cubic feet for all meters read after November 1, 2020.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Loudon Utilities as follows:

Section 1. The natural gas rate for meters for customers other than interruptible and process load customers read on or after November 1, 2020 shall be \$1.11 per 100 cubic feet.

Secretary

Chairman

Passed: _____

GAS RATE COMPUTATIONS

	<i>Base Month (Sept 2003)</i>	<i>Rate Effective 6/1/20</i>	<i>Rate Effective 7/1/20</i>	<i>Rate Effective 8/1/20</i>	<i>Rate Effective 9/1/20</i>	<i>Rate Effective 10/1/20</i>	<i>Rate Effective 11/1/20</i>	<i>Rate Effective 12/1/20</i>
Gas Supply Cost	4.9950	1.7300	1.6500	1.4200	1.8000	2.5000	1.9900	
Pipeline Charges	0.2755	0.0651	0.0629	0.0567	0.0671	0.0860	0.0721	
Supply Management	<u>0.0350</u>	<u>0.0450</u>	<u>0.0450</u>	<u>0.0450</u>	<u>0.0450</u>	<u>0.0450</u>	<u>0.0450</u>	<u>0.0450</u>
Subtotal	5.3055	1.8401	1.7579	1.5217	1.9121	2.6310	2.1071	
BTU & System Loss (8%)	0.0000	0.1472	0.1406	0.1217	0.1530	0.2105	0.1686	
Demand Unit Charge	1.2200	2.7370	2.7370	2.7370	2.7370	2.7370	2.7370	2.7370
ETNG Rate Action 8/2020				1.0000	1.0000	1.0000	1.0000	1.0000
Storage Charges	<u>0.0000</u>	<u>0.5900</u>	<u>0.5900</u>	<u>0.5900</u>	<u>0.5900</u>	<u>0.5900</u>	<u>0.5900</u>	<u>0.5900</u>
Cost of Gas	6.5255	5.3143	5.2255	5.9704	6.3921	7.1685	6.6027	
System Operations	<u>4.4745</u>	<u>4.4745</u>	<u>4.4745</u>	<u>4.4745</u>	<u>4.4745</u>	<u>4.4745</u>	<u>4.4745</u>	<u>4.4745</u>
Cost per MCF	\$11.000	\$9.7888	\$9.7000	\$10.4449	\$10.8666	\$11.6430	\$11.0772	
Rate per 100 Cubic Feet	\$1.10	\$0.98	\$0.97	\$1.04	\$1.09	\$1.16	\$1.11	

*NOTE: BTU & System Losses added June 2004 – BTU Factor (7%) System Losses (1%)
Storage Charges added June 2004 and increased May 2008
ETNG Rate Action added August 2020*

Tennessee Valley Authority

Fuel Cost Adjustment

Effective: from October 1, 2006

FCA	TERM	FCA	Base Fuel Amount	New FCA Amount	Residential Increase per 1,000 kWh	Cumulative Increase
Jan	2016	(0.103)	1.994	1.891	-0.36	-1.03
Feb	2016	(0.319)	1.994	1.675	-2.16	-3.19
Mar	2016	(0.258)	1.994	1.736	0.61	-2.58
Apr	2016	(0.277)	1.994	1.717	-0.19	-2.77
May	2016	(0.362)	1.994	1.632	-0.85	-3.62
Jun	2016	(0.157)	1.994	1.837	2.05	-1.57
Jul	2016	0.202	1.994	2.196	3.59	2.02
Aug	2016	0.187	1.994	2.181	-0.15	1.87
Sep	2016	0.186	1.994	2.180	-0.01	1.86
Oct	2016	0.172	1.994	2.166	-0.14	1.72
Nov	2016	0.166	1.994	2.160	-0.06	1.66
Dec	2016	0.263	1.994	2.257	0.97	2.63
Jan	2017	0.149	1.994	2.143	-1.14	1.49
Feb	2017	0.048	1.994	2.042	-1.01	0.48
Mar	2017	(0.067)	1.994	1.927	-1.15	-0.67
Apr	2017	(0.039)	1.994	1.955	0.28	-0.39
May	2017	0.019	1.994	2.013	0.58	0.19
Jun	2017	0.028	1.994	2.022	0.09	0.28
Jul	2017	0.217	1.994	2.211	1.89	2.17
Aug	2017	(0.001)	1.994	1.993	-2.18	-0.01
Sep	2017	(0.282)	1.994	1.712	-2.81	-2.82
Oct	2017	(0.287)	1.994	1.707	-0.05	-2.87
Nov	2017	(0.130)	1.994	1.864	1.57	-1.30
Dec	2017	(0.131)	1.994	1.863	-0.01	-1.31
Jan	2018	(0.182)	1.994	1.812	-0.51	-1.82
Feb	2018	(0.150)	1.994	1.844	0.32	-1.50
Mar	2018	0.024	1.994	2.018	1.74	0.24
Apr	2018	(0.006)	1.994	1.988	-0.30	-0.06
May	2018	(0.073)	1.994	1.921	-0.67	-0.73
Jun	2018	(0.113)	1.994	1.881	-0.40	-1.13
Jul	2018	(0.102)	1.994	1.892	0.11	-1.02
Aug	2018	(0.101)	1.994	1.893	0.01	-1.01
Sep	2018	(0.326)	1.994	1.668	-2.25	-3.26
Oct	2018	(0.158)	1.994	1.836	1.68	-1.58
Nov	2018	(0.074)	1.994	1.920	0.84	-0.74
Dec	2018	(0.050)	1.994	1.944	0.24	-0.50
Jan	2019	0.034	1.994	2.028	0.84	0.34
Feb	2019	(0.085)	1.994	1.909	-1.19	-0.85
Mar	2019	(0.203)	1.994	1.791	-1.18	-2.03
Apr	2019	(0.314)	1.994	1.680	-1.11	-3.14
May	2019	(0.336)	1.994	1.658	-0.22	-3.36
Jun	2019	(0.247)	1.994	1.747	0.89	-2.47
Jul	2019	(0.140)	1.994	1.854	1.07	-1.40
Aug	2019	(0.321)	1.994	1.673	-1.81	-3.21
Sep	2019	(0.491)	1.994	1.503	-1.70	-4.91
Oct	2019	(0.466)	1.994	1.528	0.25	-4.66
Nov	2019	(0.236)	1.994	1.758	2.30	-2.36
Dec	2019	(0.247)	1.994	1.747	-0.11	-2.47
Jan	2020	(0.162)	1.994	1.832	0.85	-1.62
Feb	2020	(0.357)	1.994	1.637	-1.95	-3.57
Mar	2020	(0.367)	1.994	1.627	-0.10	-3.67
Apr	2020	(0.564)	1.994	1.430	-1.97	-5.64
May	2020	(0.579)	1.994	1.415	-0.15	-5.79
Jun	2020	(0.567)	1.994	1.427	0.12	-5.67
Jul	2020	(0.497)	1.994	1.497	0.70	-4.97
Aug	2020	(0.580)	1.994	1.414	-0.83	-5.80
Sep	2020	(0.723)	1.994	1.271	-1.43	-7.23
Oct	2020	(0.566)	1.994	1.428	1.57	-5.66
Nov	2020	(0.450)	1.994	1.544	1.16	-4.50
Dec	2020					

* Beginning April 1st 2011 TVA removed all fuel costs from the base rates and will include all fuel costs in the Fuel Cost Adjustment in the future