



June 17, 2021

Proposed Water Rate Increase

Resolution 1434 – Second Reading



Proposed Water Rate Increase

- Lowered to 2% - originally planned for 5%
- Needed to maintain funding for Water Century II and Water Plant Resiliency projects
- \$0.65 increase on average residential monthly bill
- Applied to usage rate
- No increase in residential basic service charge
- Impacts on customers will vary based on monthly use
- Reflected on August 2021 bills

Residential Bill Impacts

Gallons Used	Current Bill	Bill w/ Rate Inc.	Increase	% of Customers
750	\$19.00	\$19.10	\$.10	7%
1,500	\$20.00	\$20.20	\$.20	15%
2,250	\$22.65	\$23.00	\$.35	14%
3,000	\$25.30	\$25.80	\$.50	16%
3,750	\$27.95	\$28.60	\$.65	11%
4,500	\$30.60	\$31.40	\$.80	10%
5,250	\$33.25	\$34.20	\$.95	6%
6,000	\$35.90	\$37.00	\$1.10	5%
6,750	\$38.55	\$39.80	\$1.25	3%
7,500	\$41.20	\$42.60	\$1.40	2%

Inside City Water Customers

Resolution 1434 – Second Reading

- Adopts water rates reflecting 2% increase
- New water rates effective July 2021 (August bills)
- Allows for future water and wastewater residential/non-residential billings to be in gallons (currently Ccf)

KUB





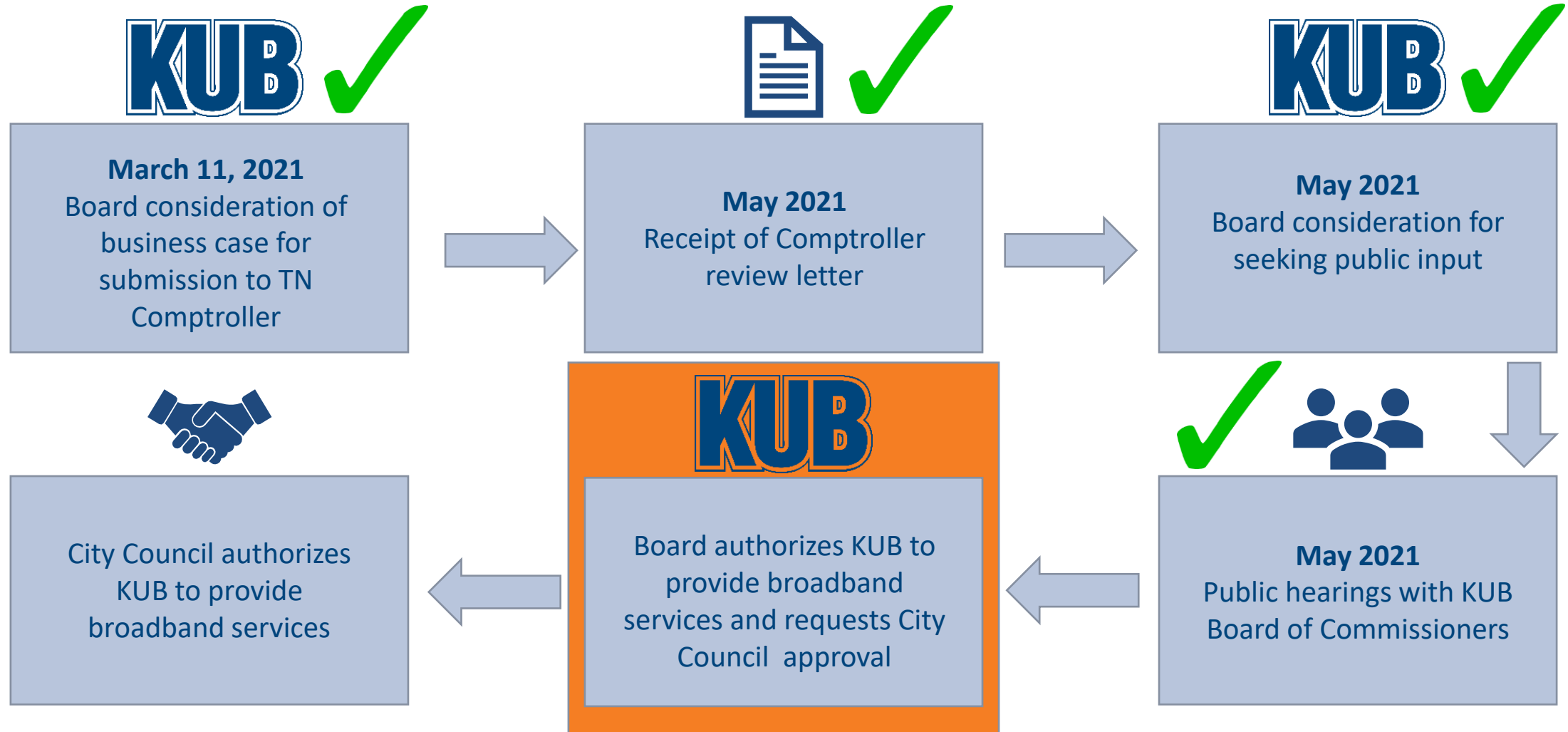
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Authorizing KUB Broadband Services

Resolutions 1439 & 1440



“You Are Here”



Fiber is the Key to the Electric Grid's Future

- New and higher expectations of the electric grid are here
- Fiber provides a low latency, high reliability communication platform
- Current and future applications support reliability, system efficiency, and load management
- Positions KUB to utilize emerging technologies
- Enables revenue generation through broadband services

Enhanced Electric Grid Modernization Financial Overview

- \$702M in new electric system costs over 10 years
- Capital investment represents 63% of costs
 - Full build-out of fiber infrastructure
 - New distribution automation technologies
- Up-front loan of \$35M to Fiber Division
- Balanced funding approach utilizing debt, rates, fiber access payments, and other sources

Enhanced Electric Grid Modernization 10-Year Financial Plan

Electric System Costs	Amount	Cost %
Capital	\$442M	63%
O&M	\$ 67M	9%
Interest on Bonds	\$ 83M	12%
Taxes/Tax Equivalentts	\$ 50M	7%
Loan to Fiber Division	\$ 35M	5%
Cash Reserves	\$ 25M	4%
Total	\$702M	

Balanced Funding Approach

Funding Sources	Amount	Funding %
Bond Proceeds	\$284M	41%
Rates	\$199M	28%
Fiber Access Revenue	\$176M	25%
Fiber Loan Repayment	\$ 35M	5%
Fiber Loan Interest	\$ 8M	1%
Total	\$702M	

Electric Rate Forecast

- Ten-year financial plan includes three consecutive 3% annual rate increases
- Rate increases fund the high-speed fiber network and other electric system improvements (Century II)
- Funding the fiber network requires planned rate increases be slightly higher, sooner
- No rate increases anticipated for the following seven years
- Long-term impact of funding the fiber network is \$3.60 on the average residential monthly bill
- Rate increases effective April 2022, 2023, and 2024

Long-Term Residential Bill Impacts

kWh Used	Current Monthly Bill	Bill Increase for both Century II and Fiber Network	Bill Increase for Century II	Bill Increase for Fiber Network
500	\$64.40	\$4.90	\$3.25	\$1.65
750	\$86.30	\$7.40	\$4.90	\$2.50
1,000	\$108.25	\$9.80	\$6.50	\$3.30
1,100	\$117.00	\$10.80	\$7.20	\$3.60
1,250	\$130.20	\$12.30	\$8.15	\$4.15
1,500	\$152.10	\$14.75	\$9.75	\$5.00
1,750	\$174.05	\$17.20	\$11.40	\$5.80
2,000	\$196.00	\$19.65	\$13.00	\$6.65

Most Customers Support KUB Broadband

- Confirmed the digital divide in our service area
- Two public meetings
 - 120 attendees
 - Opportunity for questions
- More than 300 emails and phone calls
 - 90% in support
- Public support by Knoxville and Union County mayors
- Frequently asked questions/answers on website

Establishing the Fiber Division

- Financially independent, self sustaining KUB division
- Broadband services
 - Symmetrical high-speed internet
 - Managed router service
 - Television and Voice Over IP
- Estimated addition of 200 KUB staff
- Plan includes additional facilities
- Marketing and sales support included

Funding Recommendations

August Board Meeting

- Increase FY 22 Electric Division budget by approximately \$40M
- Authorize up to \$65M in new electric bonds
- Adopt electric rate increases – first reading
- Adopt FY 22 Fiber Division budget of approximately \$5M

KUB Remains Committed to Low-Income Assistance

- Community Low-income Internet Program
- Public and private funding sources
- Administered by KUB
- Low-income eligibility determined in cooperation with funding partners
- City commits to annual funding through interlocal cooperation agreement with KUB
- Seeking additional funding partners
- Effective July 1, 2022

Resolution 1439

- Authorizes KUB to provide broadband services to the fullest extent permitted by law
- Requests City Council authorization for KUB to provide broadband services to the fullest extent permitted by law
- Establishes the Fiber Division subject to City Council authorization of broadband

Resolution 1440

- Authorizes establishment of a Community Low-income Internet Program
- Requests City Council authorize the City to enter an interlocal cooperation agreement with KUB to provide funding for the Community Low-income Internet Program
- Authorizes the President and CEO to enter separate interlocal cooperation agreements with the City and other local government entities

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Long-term Natural Gas Supply Contract



Long-term Supply Contract

- Resolution 1429 authorized execution of long-term natural gas supply contract with Tennergy
- Tennergy issued bonds to pre-pay for gas supply
- Pre-pay allows Tennergy to sell to KUB at discount
- Term up to 31 years

Contract Details

- Contract finalized in April
- Gas flow starts November
- Average daily purchase of 2,800 Dth (~10% of KUB supply)
- \$0.30 discount per Dth
- 30-year savings exceeds \$9M
- All savings passed through to gas system customers

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