

Annual Disclosures

January 16, 2020



Background of Ethics Policies

- Pre 2000: City Charter, Resolution 1, general state law
- 2000: Conflict of interest added to By-laws
- 2005: Employee Conflict of Interest Policy and required annual disclosure
- 2006: TN State Ethics Commission established
- 2007: Board adopted Ethics Policy
- 2012: By-laws ethics section updated
- 2013: Annual disclosure requirement adopted

Ethics Policy Components

- Aligns with governing statutes and guidelines
- Certifies compliance with ethical standards
 - Political activity
 - Nepotism
 - Gifts and gratuities
 - Personal and financial interests
 - Improper use of position or authority
 - Improper use of KUB time, facilities, and equipment
- Requires disclosure if a conflict exists

Annual Disclosure Form

- Form included in today's agenda packet
- Annual disclosure occurs in January
- Return forms before end of January

**KNOXVILLE UTILITIES BOARD
COMMISSIONER CONFLICT OF INTEREST FORM**

COMMISSIONER INFORMATION			
Name		KUB Accts.	
Home Address		Unit #	
City	State	ZIP	
Business Name		KUB Accts.	
Address		Unit #	
City	State	ZIP	

DISCLOSURE STATEMENTS
Please initial beside each true statement. Provide a detailed explanation on the next page for any untrue statement.

1	My residence is within Knox County limits.
2	I do not have a nepotism conflict as defined by Article X, Section 1016 of the City of Knoxville Charter. ¹
3	Other than my position as KUB Commissioner, I am not a Public Official as defined by Section 1102 of the City of Knoxville Charter ² nor am I an employee or a retiree of an energy, water or wastewater utility or energy company.
4	I do not have a personal interest or work for a business or entity which has a financial interest in any business relationship with KUB other than the purchase of utility services as defined by Section 2 of the KUB Ethics Policy (see attached policy).
5	I have not directly or indirectly accepted any money, gift, gratuity, or other consideration or favor of any kind from anyone other than KUB for the performance of an act or refraining from performance of act in the regular course of my duties as a KUB Commissioner.
6	I have not disclosed any confidential information obtained in my capacity as a KUB Commissioner other than as authorized or required by law.
7	I have not used or disclosed information obtained in my capacity as KUB Commissioner in a way that resulted in financial gain for myself or any other person or entity.
8	I have not used or authorized the use of KUB time, facilities, equipment, or supplies for private gain or advantage to myself or any other private person or entity.
9	I have not made any private purchase in the name of KUB.
10	I have not used my position as a KUB Commissioner to secure any privilege or exemption for myself or others not authorized by the Charter, general law, resolution, by-law or policy of KUB.
11	I have not accepted or continued any employment that unreasonably inhibits the performance of any affirmative duty of my position as KUB Commissioner or that conflict with any provision of the KUB Charter, any KUB Resolution, Bylaw or policy.

¹ Charter Article X, Section 1016 says, "No officer or employee elected or appointed by the council, the board of education, the civil service merit board, the Knoxville Utilities Board, or any appointing authority or administrative officer shall be related to any of said members of the council, the board of education, the civil service merit board, the Knoxville Utilities Board, or any appointing authority or administrative officer controlling or having a vote or voice in the election or appointment of said officer or employee within the third degree, either by affinity or consanguinity."

² Public Official shall mean any person who is an elected official or an employee of the City of Knoxville or any municipality, county government, or state government except for notary public, a member of the National Guard of the State of Tennessee, or employee of public education.

KUB

Electric Rate Structure Discussion - Fall 2020

January 16, 2020



New Three-Year Rate Forecast

- No electric rate increases for two years
- No natural gas rate increases for three years
- Wastewater rates reduced from prior projections
- No increase in basic service charges
- Electric rate structure changes
 - Pilot Time of Use electric rate options for residential and business customers
 - Commercial demand charges

New Rate Forecast Benefits Customers

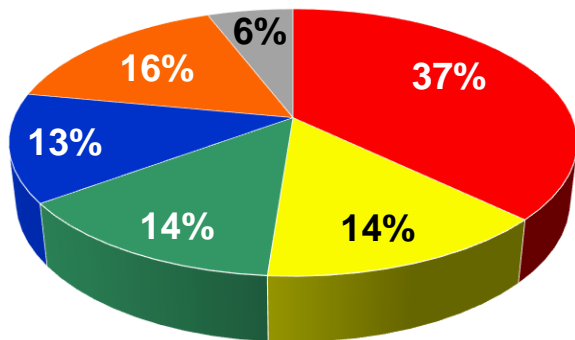
FY 21 – 23 Rate Increases	New Forecast	Prior Forecast	3-Year Residential Bill Savings*
Electric	0%, 0%, 1%	1%, 1%, 1%	\$78
Natural Gas	0%, 0%, 0%	1%, 1%, 1%	\$36
Water	5%, 5%, 5%	5%, 5%, 5%	---
Wastewater	2.3%, 2.3%, 2.3%	3.5%, 3.5%, 3.5%	\$36
			\$150

* Compared to Prior Forecast

Average Monthly Bill Impacts

201,000 Residential Households

Only 16% have all four services



- Electric only
- Gas only
- Electric and Gas
- Electric, Water, and Wastewater
- All four
- Other

	FY 21	FY 22	FY 23
Electric	---	---	\$1.00
Natural Gas	---	---	---
Water	\$1.50	\$1.50	\$1.50
Wastewater	\$1.50	\$1.50	\$1.50

- Water and Wastewater increases reflected on August bills
- Electric increase reflected on November bills

Rate increases applied to Commodity Charges;
No increase in Basic Service Charges

Proposed Rate Structure Changes

■ Existing rates

- Introduce small demand charge for small to mid-sized business customers













■ New rates

- Introduce Time of Use (TOU) Pilot for residential
- Introduce TOU Pilots for small to mid-sized business customers

Demand Charge for Small and Mid-sized Business Customers

- Introduce small demand charge offset by reduction to energy charges
 - Improves cost alignment
 - Minimal bill impacts
 - Increases customer control of bill
 - Revenue neutral to KUB
- Impacts customers < 1,000 kW
 - All business customers would have demand charges

Proposed Rates for Small and Mid-sized Business Customers

		Proposed		
GSA1	Current	FY 21	FY 22	FY 23
Customer charge	\$29.00	\$29.00	\$29.00	\$29.00
Demand (kW)	\$0.00	\$0.50 	\$1.00 	\$2.00 
Energy (kWh)	\$0.11175	\$0.10985 	\$0.10796 	\$0.10416 
GSA2				
Customer charge	\$95.00	\$95.00	\$95.00	\$95.00
Demand first 50 (kW)	\$0.00	\$0.50 	\$1.00 	\$2.00 
Demand >50 (kW)	\$15.18	\$15.18	\$15.18	\$15.18
Energy first 15,000 (kWh)	\$0.13863	\$0.13727 	\$0.13557 	\$0.13218 
Energy > 15,000 (kWh)	\$0.06123	\$0.06123	\$0.06123	\$0.06123

Indicative rates based on October 2019 variables; subject to purchased power adjustment.

Projected Bill Impacts

- **Small Business: GSA1 (19,630 customers)**
 - 50% will have slight bill decrease
 - Most increases less than 1%
 - Maximum annualized increase 2.9%
- **Mid-sized Business: GSA2 (2,770 customers)**
 - 50% will have slight bill decrease
 - Most increases less than 1%
 - Maximum annualized increase 2.3%

Proposed TOU Pilot Programs

- Introduce optional Time of Use Pilots
 - Residential
 - Business customers < 1,000 kW
- All customers would have TOU rates available
 - Residential – new schedule is optional
 - GSA1 and GSA2 – new schedules are optional
 - GSA3 – existing TOU schedule is optional
 - Business customers > 5,000 kW – existing schedules are TOU

TOU Pilot Program Goals

- Offer TOU to all customers
- Appropriate power cost recovery
 - Retail rate reflects power supply TOU wholesale rates
 - Power supply cost recovery not at risk
- Maintain KUB margin per unit
 - KUB indifferent to customer selection
- Learn during pilot

Proposed Residential TOU Rates

- Basic service charge: \$20.50
- Demand charge: \$0.00 per kW
- Energy charge
 - On peak energy: \$0.19838 per kWh
 - Off peak energy: \$0.06662 per kWh

Proposed Residential TOU Rates Compared to Existing Rates

	Current Rate	Proposed TOU Rates (margin neutral)	Difference
Basic Service	\$20.50	\$20.50	\$ -
Demand (KW) rate	\$ 0.00	\$ 0.00	\$ -
Summer On-Peak Energy	\$0.09159	\$0.19838	\$0.10679
Summer Off-Peak Energy	\$0.09159	\$0.06662	(\$0.02497)
Winter On-Peak Energy	\$0.09118	\$0.19838	\$0.10720
Winter Off-Peak Energy	\$0.09118	\$0.06662	(\$0.02456)

Indicative rates based on October 2019 variables; subject to purchased power adjustment.

Proposed Business TOU Rates – GSA1

GSA1: <50 kW

- Basic service charge: \$29.00
- Demand charge: \$2.00 per kW
- Energy charge
 - On peak energy: \$0.20610 per kWh
 - Off peak energy: \$0.07435 per kWh

Proposed Business TOU Rates – GSA2

GSA2: <1,000 kW

- Non-homogeneous class
- Large bill impacts for TOU
- Recommend sub-classes
 - GSA2 small up to 100kW
 - GSA2 large 100kW to 1,000kW

Proposed Business TOU Rates – GSA2

	TOU GSA2 Small	TOU GSA2 Large
Basic Service	\$95.00	\$110.00
Max Peak Demand (per kW)	\$4.45	\$6.56
On-Peak Energy (per kWh)	\$0.21794	\$0.19509
Off-Peak Energy (per kWh)	\$0.08618	\$0.06333

Indicative rates based on October 2019 variables; subject to purchased power adjustment.

How Do Customers Save By Choosing TOU?

- 83% of hours are off-peak
- Some customers would save automatically
 - Usage is already occurring off-peak
- Some customers would need to intentionally shift load to save
 - Choose the weekend
 - Install programmable thermostats and other devices

Key TOU Participation Guidelines

- Optional
- Initial participation limited to
 - Residential: 200
 - GSA1: 100
 - GSA2: 50
 - No limit for electric vehicle or solar customers
 - Participation limits will be reviewed as needed
- Business customers reclassification determined by demand (kW), same as with traditional schedules
- Customer opt-out provision

Century II Funding Considerations Timeline

- August 2019 Three-Year Rates Forecast ✓
- October 2019 Century II Update ✓
- November 2019 10-Year Plan Financial Discussion ✓
- January 2020 Rate Structure Discussion ✓
- April 2020 Financial Workshop
- May 2020 FY 21 Budget, Rates, and Debt Considerations
- June 2020 Rates (Second Reading)

KUB

Customer Programs Update

January 16, 2020



Natural Gas Water Heater Program

- Incentive for property owners with inactive gas service
- Extended 2,160 offers to date
- 130 installations completed since December 2017



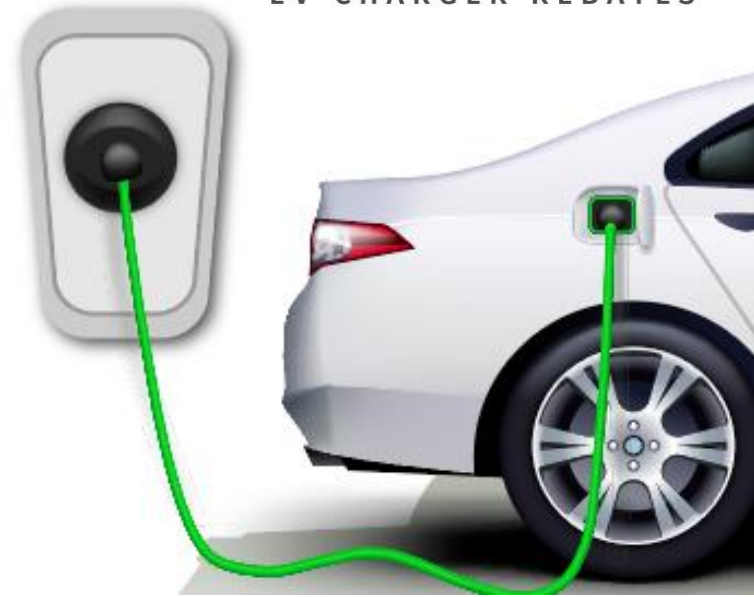
Natural Gas Appliance Rebates



- Incentive for existing gas customers to convert appliances to natural gas
- Rebate amounts range from \$100 to \$600
- 319 rebates totaling ~\$71,200 since December 2017

Electric Vehicle (EV) Charger Rebate

- Incentive for residential electric customers to install Level 2 EV chargers
- Covers 100% equipment costs up to \$400
- 43 rebates totaling ~ \$16,700 since August 2019



Smart Thermostat Pilot Program

- Provides free installed ecobee thermostat for residential electric customers
- Designed to help manage system peaks
- 81 thermostats installed since November 2019



Energy and Water Efficiency Workshops



- 29 workshops completed and 680 customers served since April
- Primarily serving lower-income customers
- Potential energy savings of 450 megawatt-hours with take home kits
- New youth workshop ready to launch

Proposed Low-Income Efficiency Program

- Replace older toilets (pre-1994) with free installed low-flow toilet
- Direct installation of energy savings measures while on site for toilet replacement
- Funded by KUB; administered by CAC
- Owners and renters eligible
- Projected start date this summer



Proposed “Easy Connect” Program

- Targeting residential property owners within 200 feet of an existing KUB gas main
- Turnkey installation for gas service and single appliance
- Appliance and installation costs eligible for zero interest on-bill financing
- Future appliances eligible for gas rebates
- Projected start date of May 2020



Customer Programs Reflect KUB's Mission of Service

- KUB exists to serve its customers
- Programs aim to help customers save money
- Benefits include environmental stewardship

KUB