

News Release

August 18, 2011
For Immediate Release

KUB Board Approves Electric and Water Increases on First Reading

The KUB Board of Commissioners today approved on first reading electric and water rate increases to help fund Century II, KUB's long-range replacement program to improve and maintain the electric, gas, water, and wastewater systems. Currently, the wastewater and natural gas systems are on track with replacement plans.

If the KUB Board approves the increases on second reading in September, the rate increases will add \$1 a month to the customer charge on both residential electric and water bills each year for the next three years. So, a customer with both services would see a \$2 a month increase. (The impact on commercial and industrial customers will vary.)

The proposed electric rate increases to fund Century II would occur in October 2011, 2012, and 2013. The proposed water rate increases would take effect in January 2012, 2013, and 2014. The 10-year funding plan calls for small electric and water rate increases each year after that to support the higher levels of investment in Century II programs. KUB will also use increased debt levels to help fund Century II.

"Aging pipes and wires are an issue for utilities across the nation," said KUB President and CEO Mintha Roach. "KUB's systems are no different. We must step up the pace of our replacement work now to continue providing reliable service to our customers."

Among the system upgrades included in the Century II program will be the replacement of water pipes that are approximately 100 years old. Century II will also replace wooden poles and older electric substation transformers to support growth and reliability. KUB plans to double the rate of pole replacement under Century II to allow us to replace all poles within a 50-year cycle.



Knoxville Utilities Board

For the last 10 to 15 years, KUB has focused on maintaining water distribution pipes and upgrading water tanks and the water treatment plant. KUB has been replacing an average of five miles of water pipes annually for more than a decade.

"We did all that without large water rate increases," Roach said. "But at five miles a year, it would take 300 years to upgrade the system. That isn't feasible. Given our system's age, it's time to start replacing aging pipes much faster."

Under the proposed plan, the five-mile pace would increase the rate of pipe replaced to about 14 miles per year by 2012. The proposed replacement program would focus primarily on both galvanized and cast iron pipe, two of the older pipe material types found throughout the KUB system.

"Century II reflects KUB's commitment to provide reliable utility service and meet customer needs—now and in the future," added Roach. "By anticipating and addressing needs now, customers will realize long-term benefits and experience fewer service interruptions."

More information about Century II is available at www.kub.org.

###