We value the safety and well-being of our customers and employees.

We value fairness, and try always to make decisions that provide the greatest good for the most people.

We are in a position of trust and hold ourselves to high ethical standards.

We improve the value of our services through efficiency, innovation, and communication.

We value the commitment and hard work of our employees.

We are environmentally responsible in our operations and support the sustainability of our communities’ natural resources.

We participate in the communities we serve.

Our mission is to act as good stewards of our communities’ resources: utility assets, customer dollars, and the environment. We work to safeguard those resources and enhance their value for the people of the communities we serve and generations to come.

Customer Satisfaction System

Managing Our Utility System Infrastructure

Meeting Or Exceeding Regulatory Standards

Managing Our Finances Effectively

Improving The Customer Experience

Being Environmentally Responsible

Partnering For Economic Development

Investing In A Skilled, Diverse Work Force

KUB consolidated audited financial statements are available as an insert, and both the consolidated and full audited financial statements are online at www.kub.org.
Community has been at the heart of KUB for its nearly 80 years of service. I am proud of our history and continued commitment to our more than 459,000 customers. Our mission has not changed – we are committed to improving our community’s quality of life by providing utility services that are safe, reliable, and affordable.

I am especially proud of KUB’s ongoing legacy as I announce my retirement this year. In my 15 years as KUB’s President and CEO, it has been an honor serving the community and working alongside our employees.

There have been many achievements, which you will read about in this report. These achievements are bound together by KUB’s mission to act as good stewards of our communities’ resources. One way we’re doing this is through Century II, KUB’s long-term infrastructure management program that includes maintenance and replacement strategies for each system to carry us into the next 100 years of service.

KUB is also taking a step forward by leveraging new technology. The Century II Grid Modernization Program, for example, will replace more than 400,000 electric, water, and natural gas meters with advanced meters. The technology benefits our customers with quicker service restoration and KUB’s ability to perform more functions remotely. Customers also have improved access to usage data to help them find ways to conserve energy and water to reduce their bills.

But most importantly, we continue to provide outstanding service to our customers, year in and year out. We were fortunate to receive an incredible number of awards and recognitions this year from community and industry organizations [see next page]. The common thread connecting these achievements is our employees. These awards are a testament to our employees and their commitment to the community.

I end my tenure at KUB with a note of gratitude and humble appreciation for all that has been accomplished, not only in my years as CEO, but throughout KUB’s history. KUB is built on the legacy of those that came before us and will continue to thrive because the work being done today will take care of our community for generations to come.

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FY18 was a banner year for awards at KUB with accolades from both the industry and the community. The American Public Power Association (APPA) once again recognized KUB’s electric system as a diamond level Reliable Public Power Provider (RP3), with KUB achieving a perfect score on the recertification. The program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. KUB first achieved the APPA’s diamond designation, the highest level of the program, in 2015.

The American Public Gas Association (APGA) named KUB to its System Operational Achievement Recognition (SOAR) Program. SOAR honors natural gas distribution utilities that demonstrate a commitment to operational excellence in four areas: system integrity, system improvement, employee safety, and workforce development.

KUB’s wastewater treatment plants also have a long history of excellent performance marked by numerous awards from the National Association of Clean Water Agencies (NACWA). And the Association of Metropolitan Water Agencies recognized KUB’s water system with a Platinum Award for Utility Excellence.

And while utilities are the backbone of our community, KUB knows it takes partnerships to connect a community and help it thrive. In 2018, KUB, along with partners TVA, Knoxville-Knox County Community Action Committee (CAC), and the City of Knoxville, received the Governor’s Environmental Stewardship Award for Knoxville Partnerships for Low-Income Weatherization. The award highlights the progress of the Round It Up (RIU) and Knoxville Extreme Energy Makeover (KEEM) programs for energy efficiency retrofits of nearly 1,500 homes in low-income areas.

Knoxville Area Urban League also honored KUB with its Corporate Leadership Award in 2017. The award recognized KUB for its community involvement, including the TeenWork program, and environmental efforts, like KEEM and RIU.

KUB also received awards that recognize our employees’ charitable and volunteer efforts. Volunteer East Tennessee named KUB the 2018 East Tennessee Corporation of the Year and United Way of Greater Knoxville recognized KUB and the International Brotherhood of Electrical Workers Local 760 as a 2017 Champion Company [see page 13].
KUB’s electric system remained strong in FY 18 with customers enjoying historically high reliability. Electric reliability has significantly improved over the past 10 years through a combination of ongoing maintenance programs, like vegetation management, and Century II replacement programs.

KUB is committed to ongoing investment in our electric system to help ensure continued strong performance. That investment includes replacing or upgrading aging poles, overhead wires, and underground cables. We are on track to replace approximately 2,400 poles and 13 miles of underground cable a year.

In FY 18, KUB continued to rebuild its entire 69kV transmission line system. This 10-year program will improve electric reliability and upgrade KUB’s communication infrastructure by installing fiber optic communication lines to every substation.

KUB is also investing $1 million annually to expand the use of distribution automation to further improve reliability. This technology enhances KUB’s ability to automatically isolate problems, reduce customer outages, increase operational efficiencies, and improve power quality.

Reliability is essential for our customers – and a driver for economic development in our community. SH Data Technologies broke ground on its new location at The Fort in Knoxville in FY 18, investing $85 million to refurbish a vacant building and create a new state-of-the-art Tier 3 data storage center, which requires extremely reliable electric service. To meet this need, the Fort will be served by multiple substations, electric circuits, and new technologies deployed as part of KUB’s grid modernization initiative. With these, the location is expected to have electric service interruption around two seconds per year. The Fort will be one of KUB’s top ten electric customers once it is fully operational.
KUB continues to focus on Century II natural gas replacement and maintenance projects to provide a safe, reliable system to serve current and future customers. Natural gas is highly regulated for safety, and KUB’s Century II programs support all regulatory requirements.

KUB meets or exceeds the minimum federal safety standards through system maintenance, operations, safety surveys, and replacement programs. KUB continued work in FY 18 to complete the 35-year replacement program to remove all cast iron mains and replace with polyethylene pipe that has a longer life and lower maintenance costs. Work is also underway throughout KUB’s natural gas system to replace steel distribution pressure mains with polyethylene pipe. Since 2007, KUB has replaced more than 38 miles of steel main with replacement projects ongoing.

In FY 18, work continued on a new gate station and main installation in South Knoxville. The new infrastructure improves system reliability and supports growth. The new station will have modern, automated controls to help improve operational flexibility and reduce costs.

KUB has also implemented a natural gas system growth initiative to help promote customer growth on KUB’s system. Included in this initiative is the Natural Gas Appliance Rebate Program, which is an incentive for existing residential customers to convert electric or propane appliances to natural gas. Also included is a pilot program that offers the installation of a new natural gas water heater to qualifying customers. Both programs are intended to incentivize the use of natural gas appliances in customer homes.

Natural gas system improvements and new infrastructure support reliability, operating flexibility, and growth in the community. Through the Century II infrastructure management program, KUB’s investment in the natural gas system ensures the system continues to meet our customers’ needs.
Since 1926, KUB’s Mark B. Whitaker (MBW) Water Plant has sustained an excellent record for providing safe, high-quality drinking water to our customers. To continue that quality of service, KUB continues to invest in Century II improvements for our plant, state-of-the-art water quality laboratory, and distribution system.

In FY 18, KUB completed the $4.5 million project to transition MBW’s treatment process from gaseous chlorine to sodium hypochlorite. The new treatment process requires much less maintenance and eliminates gaseous chlorine hazards. KUB has also embarked on a plan to provide increased resiliency at MBW. This multi-year initiative invests over $100 million in capital improvements to provide redundancy at the plant. That will provide more flexibility for daily operations and maintenance activities.

KUB continued work to upgrade the water distribution system in FY 18. These system improvements improve reliability and help KUB continue to deliver on our solid record of outstanding water quality. And our commitment to funding sustainable replacement places us in the American Water Works Association top quartile for infrastructure investment.

KUB is also adding resiliency to the water distribution system with new transmission mains. For example, the Depot Avenue project is a strategic system improvement that began in FY 18 and includes the construction of a new 8,500 foot 36-inch water transmission main to help improve reliability and operational flexibility in moving water to the west of KUB’s water treatment plant.
KUB is committed to providing customers with safe, reliable wastewater service to protect the public and the environment. In 2014, KUB completed federal Consent Decree (CD) collection system projects to reduce sanitary sewer overflows (SSOs). KUB then transitioned the wastewater system under Century II with our other systems. The work has paid off— the wastewater collection system has continued to see a decline in sanitary sewer overflows (SSOs), which are down more than 82 percent from 2003. And 2017 marked the lowest number of SSOs on record. This marks the fourth consecutive year we have set a record low for SSOs.

Century II upgrades are also underway at KUB’s treatment plants, including a $52 million project at the Kuwahee treatment plant that completes the CD requirements. The project will be completed in 2021 and ensures Kuwahee can provide full treatment during heavy rain events.

KUB’s Century II sewer rehabilitation program is also making steady progress to replace aging pipes in the collection system. With $25 million budgeted, KUB will replace over 21 miles of aging pipe at an overall annual replacement rate of 2 percent per year. The system is now made up of over 50 percent newer pipe type (plastic and ductile iron), compared to less than 25 percent prior to the CD.

KUB’s biosolids program was again certified by the National Biosolids Partnership (NBP) at its highest platinum level. KUB’s program first received NBP Platinum certification in 2011. Biosolids are nutrient-rich organic matter produced by wastewater treatment. Rather than send nearly 30,000 tons a year to landfills, KUB recycles its biosolids as a certified fertilizer through regional farmers.

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Customers: 71,242

13.7 billion gallons total treated water

Bond Ratings Moody’s Aa2 Standard & Poor’s AA+

66.4 million gallons Rated Capacity

SEWER PIPE TYPES

42% Older Pipe Types
58% Newer Pipe Types

75 lift stations, 4 treatment plants, 6 storage facilities

44,880 gallons annual use by typical residential customer
$59.50*/month $1.96/day

* Wastewater is billed in Ccf and based on your water usage.
KUB’s commitment to our community drives the work we do every day. That commitment includes being environmentally responsible in our operations. Work began in February 2018 on KUB’s new Engineering Building at the Hoskins Operations Center. The many sustainability features included in the design and construction approach are expected to result in LEED certification. Included in the design is a rooftop solar array. This will be the second solar project on the campus: a 5-kilowatt array was added to KUB’s Corporate Services building last year. The Engineering Building is expected to be complete in summer 2019.

KUB also upgraded the lighting at its wastewater treatment plants in FY 18. Over 550 light fixtures were replaced with new LED fixtures—a projected reduction of 468,000 kWh, or $37,000, annually.

The 100 Best Fleets in the Americas program again recognized KUB’s fleet as one of the 100 Best Fleets in 2018, with KUB receiving its highest ranking ever at number 73. KUB first received Best Fleets Recognition in 2009. The 100 Best Fleets award program recognizes and awards peak performing public sector fleet operations in North and South America. The program also identifies and encourages ever-increasing levels of performance improvement within the fleet industry.

KUB offers a surplus materials reuse program to the public to avoid landfill disposal of materials that can be beneficially reused. Through the program, the community can request items that are no longer of value to KUB, such as wood utility poles, wood pallets, empty wire reels, and wood timbers and crates that are part of the shipping materials received with KUB construction materials.

KUB connects our community through more than just pipes and wires. KUB is active in the community through partnerships, outreach events, volunteer efforts, and service projects.

In partnership with the City of Knoxville and CAC, KUB started the Round It Up (RIU) pilot in 2015. Since then, KUB customers have donated over $2.3 million by voluntarily rounding their bills up to the next dollar. And in March 2018, KUB’s Board of Commissioners voted unanimously to continue the RIU weatherization program.

KUB sends 100 percent of donations to CAC’s Weatherization Assistance Program to help improve the energy efficiency of homes for low-income homeowners and renters. This provides a root-cause solution to an ongoing problem in our community—low-income residents in energy-inefficient homes that are costly to heat and cool.