



May 16, 2024

Rate Resolutions: PPA, EVCP, & PowerFlex

Resolutions 1487, 1488, 1489



Purchased Power Adjustment (PPA)

- Board authorized participation in TVA's Expanded Flexibility program last September
- Expanded Flexibility allows distributors to generate a portion of their own power
- Projects will generate savings by reducing payments to TVA
- Savings are included in the Inflation Response Plan and Electric Division Long Range Plan

Purchased Power Adjustment (PPA)

- PPA acts as a cost recovery mechanism
- Any changes in purchased power costs are flowed through the PPA
- Amendment to PPA needed to retain savings

Electric Vehicle Charging Pump Rate (EVCP)

- Two KUB charging stations will open later this summer
- Charging rate developed using station costs and projected usage
- Rate comparable with other stations in the local and regional area
- Customers will pay \$0.40 per kWh

TVA's PowerFlex Program

- New TVA demand response program
 - Provides customer incentives
 - Customers must reduce load upon notification
 - Helps TVA manage system peaks
- Available on June 1 to customers with contracts 1MW or greater
- Multiple contract options for customers
- TVA offering additional incentives for early commitment
- New KUB rate schedule needed

Resolution 1487

- Amends PPA to set aside savings from Flexibility Program
- Requires two readings
- Second reading in June 2024

Resolution 1488

- Establishes Electric Vehicle Charging Pump (EVCP) Rate Schedule for the Electric Division
- Requires two readings
- Second reading in June 2024

Resolution 1489

- Authorizes participation in TVA's PowerFlex Program
- Establishes PowerFlex Rate Schedule for the Electric Division
- Rate requires two readings
- Second reading in June 2024



May 16, 2024

FY24 Appropriations Amendment, FY25 Appropriations & Funding Recommendations

Resolutions 1490, 1491, 1492, 1493, 1494, 1495



Proposed FY24 Budget Amendment

- Initial budgets approved by Board in May 2023
- Wastewater O&M and capital ~ \$3M over budget
- Driven primarily by timing
- Additional appropriations needed for Wastewater
- Discussed with Audit and Finance Committee

	Wastewater
FY24 Budget	\$132.4M
Additional Appropriations	\$ 3.0M
FY24 Budget - Amended	\$135.4M

Proposed FY25 Budget Continues Fiber Deployment & Century II Funding

- Proposed budget \$1.2B
- Up \$66M – reflecting inflation and higher level of capital investment
- Capital budget \$297M
 - \$148M for Century II
 - \$90M for fiber network and services
- \$111M of new bonds help fund capital budget

FY25 Key Programs & Projects

Program/Project	FY25 Appropriations
Fiber-to-the-Home	\$90.3M
MBW Water Filter Project	\$29.1M
Vegetation Management	\$16.2M
Electric Transmission Line Upgrades	\$13.1M
Vehicles and Equipment	\$13.1M
Walker Springs Pump Station and Forcemain	\$ 5.9M
IT Enterprise System Upgrades	\$ 5.8M

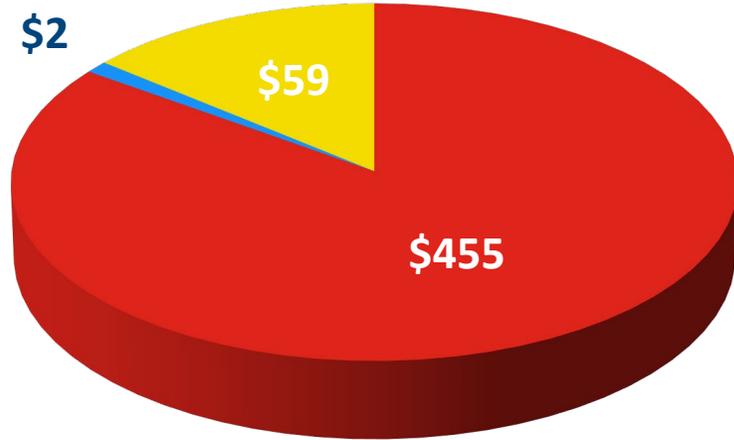
Proposed FY25 Budget: \$1.2 Billion

	Electric	Gas	Water	Wastewater	Fiber	Total
Energy Cost	\$455.4	\$ 59.0	\$ ---	\$ ---	\$ 2.0*	\$ 516.4
O&M	\$ 97.6	\$ 29.3	\$ 40.0	\$ 47.1	\$20.2	\$ 234.2
Capital	\$168.4	\$ 28.3	\$ 58.3	\$ 40.3	\$ 1.9	\$ 297.2
Debt Service	\$ 36.3	\$ 9.3	\$ 15.9	\$ 32.7	\$ 3.9	\$ 98.1
Taxes and Equivalents	\$ 24.7	\$ 9.0	\$ 5.4	\$ 7.2	\$ 0.4	\$ 46.7
Loan to Fiber	\$ 11.0					\$ 11.0
\$ in Millions	\$793.4	\$134.9	\$119.6	\$127.3	\$28.4	\$1,203.6

* Fiber Cost of Goods Sold

Wholesale Energy Budget Driven by Customer Demand

FY25 Wholesale Energy / COGS = \$516M

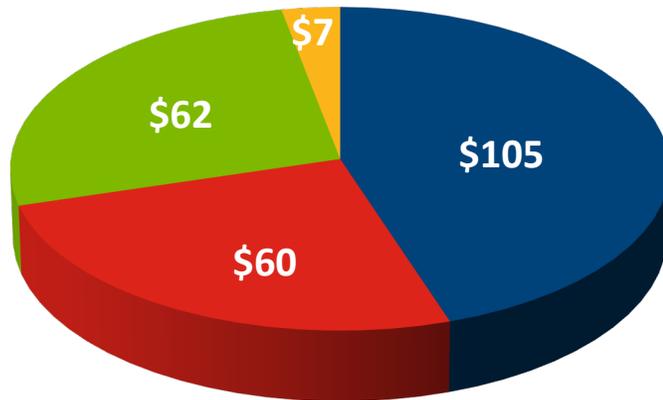


- Electric power = 85%
- Fiber COGS = 1%
- Natural gas = 14%

- Electric power
 - 6.0 billion kWh
 - 218,000 electric customers
- Natural gas
 - 10.9 million dekatherms
 - 110,000 natural gas customers
- Fiber Cost of Goods Sold (COGS)
 - \$0.2 million telephone costs
 - \$1.8 million television costs

O&M Budget Supports Systems Reliability

FY25 O&M = \$234M

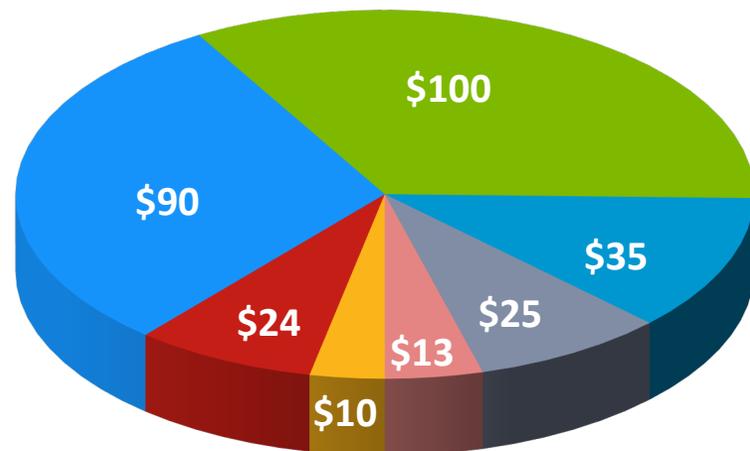


- Labor-related = 45%
- Outside services = 25%
- Materials/other = 27%
- Fiber Fees to EL = 3%

- Labor-related costs
 - Payroll \$81M
 - Benefits and training \$15M
 - Post-employment benefits \$9M
- Outside services
 - Vegetation management \$16M
 - Electric line contractors \$3M
- Materials/other costs
 - Utilities \$12M
 - Stock materials \$10M
 - Chemicals \$5M
- Fiber fees
 - Access fee \$3.6M
 - Utilization fee \$3.6M

Capital Budget Funds Century II, Fiber Deployment, & Plant Projects

FY25 Capital = \$297M



- Information technology = 3%
- Facilities/equipment = 8%
- System infrastructure = 89%
- Fiber network/services = 30%
- System improve/replace = 34%
- Plant improvements = 12%
- Growth = 9%
- Relocations = 4%

- Distribution system improvements \$100M
 - Wastewater main replacements \$16M
 - Water main replacements \$14M
 - Electric transmission line improvements \$13M
 - Utility relocation projects \$13M
 - Electric substation upgrades \$10M
 - Electric distribution line improvements \$7M
 - Pole replacement \$5M
 - Natural gas steel main replacements \$2M
- Fiber network and services \$90M
- Plant improvements \$36M
 - Water filter project at MBW \$29M
 - Kuwahee Treatment Plant improvements \$4M
 - Fourth Creek Treatment Plant improvements \$1M

Debt Budget Reflects Investments in Infrastructure

FY25 Debt Service = \$98M

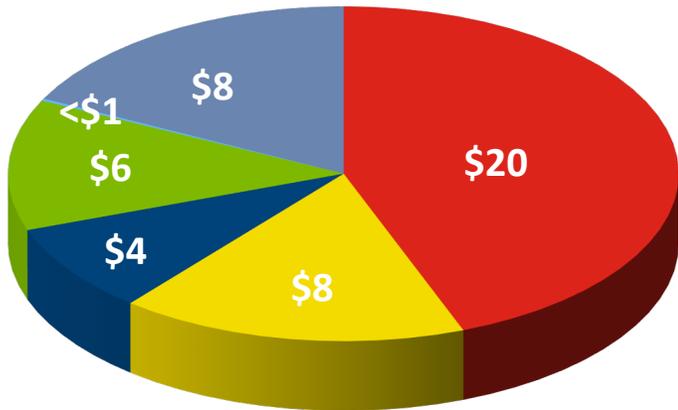


- Electric = 37%
- Natural Gas = 10%
- Water = 16%
- Wastewater = 33%
- Fiber = 4%

- FY25 principal: \$50M
- FY25 interest: \$48M
- New bonds: \$111M
 - Electric: \$91M
 - Water: \$20M
- Outstanding bonds \$1.2B
- Includes \$4M in payments from Fiber to Electric

KUB Payments In Lieu of Taxes (PILOTs) Support Local Governments

FY25 Taxes and PILOTs = \$46M

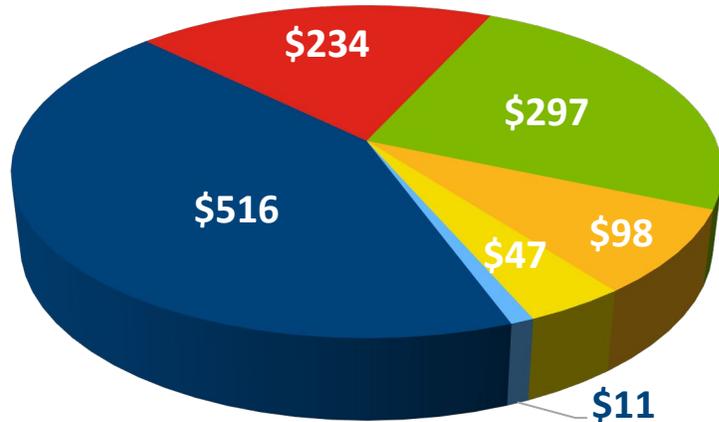


- Electric = 44%
- Natural Gas = 17%
- Water = 8%
- Wastewater = 13%
- Fiber = <1 %
- FICA = 18%

- PILOTs \$38M
 - City \$26M
 - Knox County \$11M
 - Other counties \$1M
- Payroll tax expense \$8M

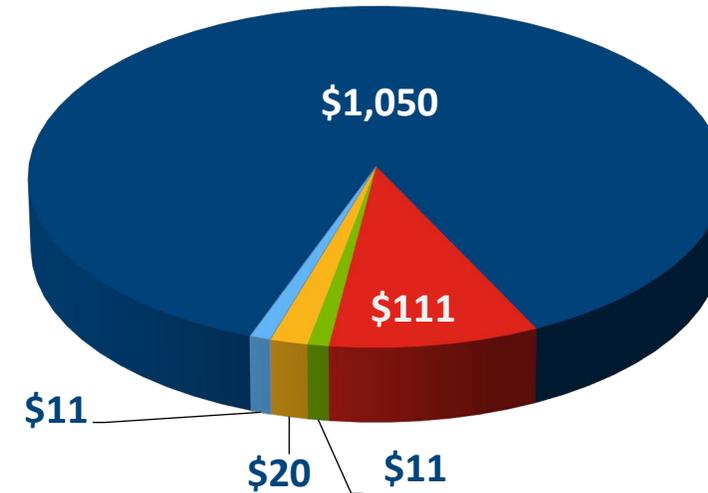
Funding FY25 Budget

Budget = \$1.2B



- Wholesale Energy = 43%
- O&M = 19%
- Capital = 25%
- Debt Service = 8%
- Taxes and Equivalents = 4%
- Loan to Fiber = <1%

Funding = \$1.2B



- System Revenues = 87%
- Bonds = 9%
- Cash on Hand = 1%
- Grants = 2%
- Loan to Fiber = 1%

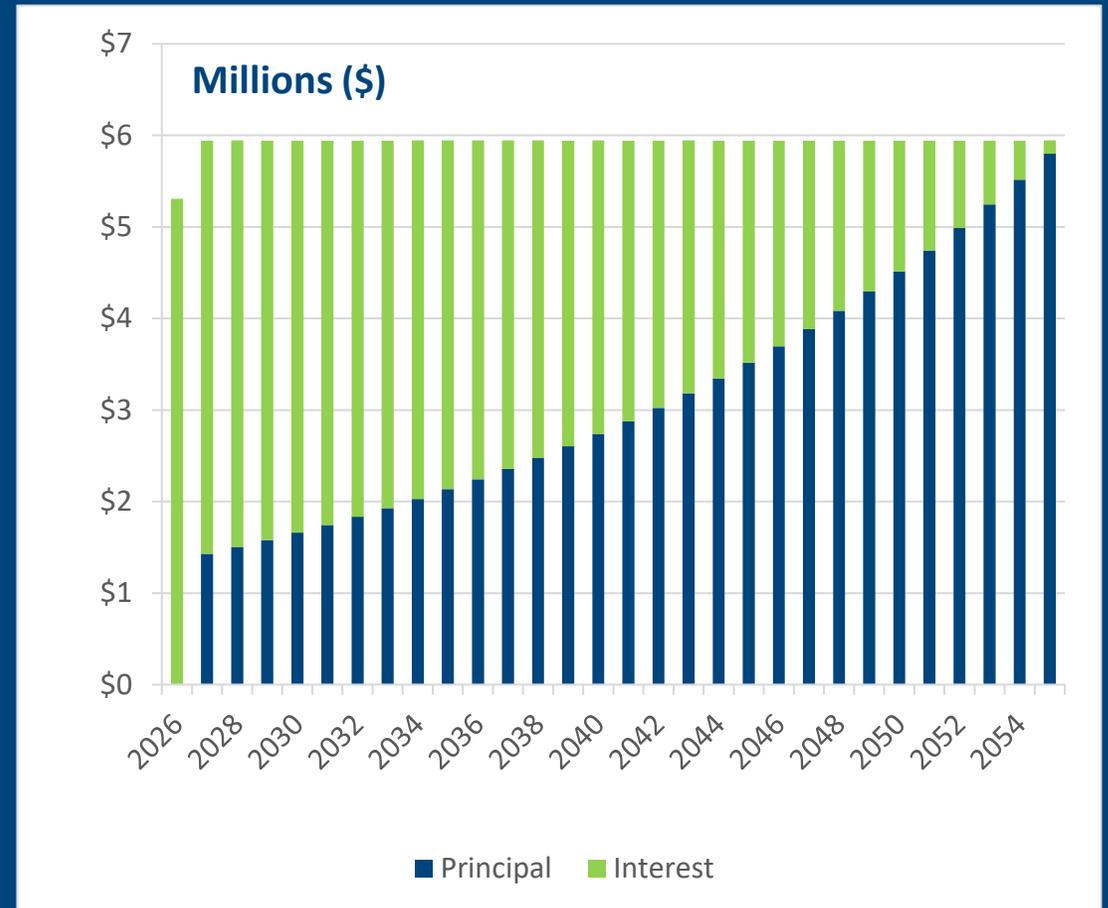
Proposed Sale of \$111M in New Bonds

- Electric \$91M
- Water \$20M
- Bonds will mature over 30 years
- Budgeted interest rate 4.5%
- Bonds callable beginning 2033
- Secured solely by issuing system revenues
- Public competitive sale this summer

Proposed New Electric Bonds - \$91M

- Projected interest cost: \$87M
- Fully mature July 2054
- FY end electric debt service: \$783M
 - Bonds \$483M
 - Interest \$300M
- \$339M of total debt service paid over next 10 years (\$165M bonds)

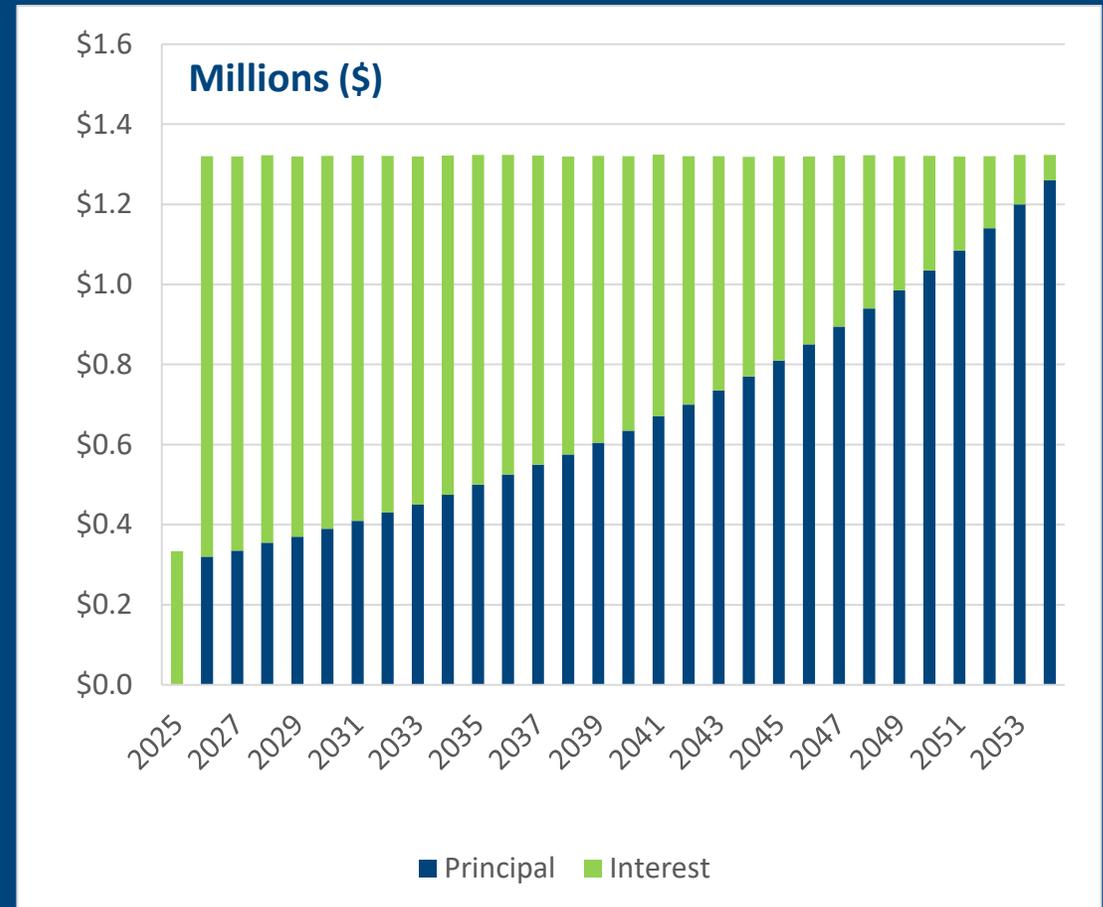
Proposed Debt Service on \$91M New Bonds



Proposed New Water Bonds - \$20M

- Projected interest cost: \$19M
- Fully mature March 2054
- FY end water debt service: \$302M
 - Bonds \$209M
 - Interest \$ 93M
- \$158M of total debt service paid over next 10 years (\$95M bonds)

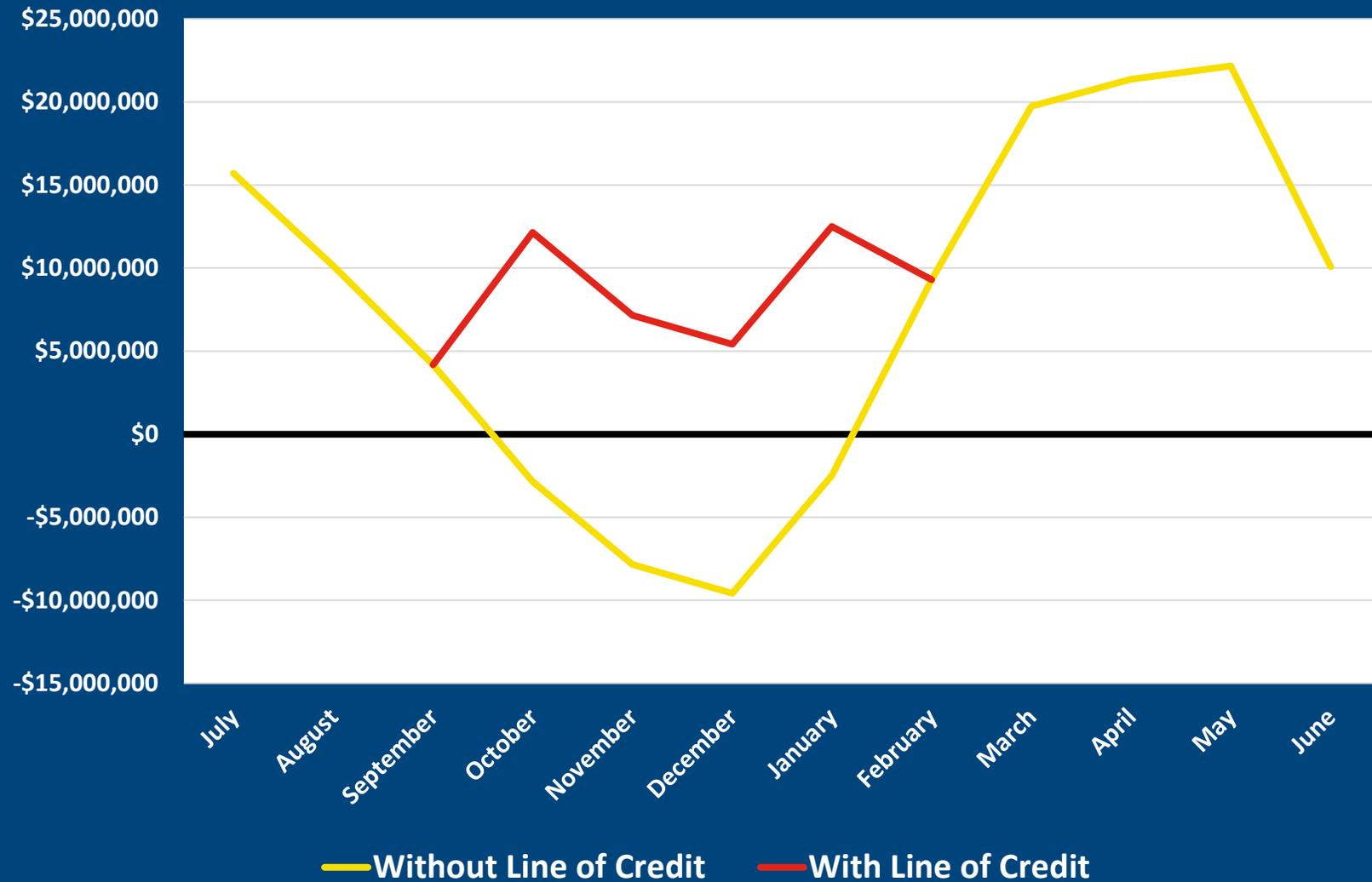
Proposed Debt Service on \$20M New Bonds



Line of Credit Helps Manage Seasonality of Gas Cash Flows

- Up to \$20M of Gas Revenue Anticipation Notes
- One-year maturity
- Funds purchased gas costs
- Competitively bid
- Projected interest rate 5%
- Approval required from State Comptroller

Projected FY25 Gas Cash Flows



Estimated Professional Fees for Bonds & Line of Credit

Cost	Professional Firm	\$ Amount
Financial Advisor	Cumberland Securities	\$ 84,000
Bond Counsel	Bass Berry & Sims	\$ 107,000
Rating Agency	Moody's Investors Service	\$ 98,000
Rating Agency	Standard & Poor's	\$ 81,000
Paying Agent	Regions Bank	\$ 1,000
		\$371,000
Other Costs (POS, Advertising, etc.)		\$ 27,000
		\$398,000

Rate Funding Recommendation

- Three years of annual rate increases for electric, gas, water, and wastewater
- Increases applied solely to usage rates for residential customers
- No increases to residential basic service charges
- Impacts to business customers will vary based on rate classification and monthly usage

Rate Increases and Residential Bill Impacts

Rate Increases				
	FY25	FY26	FY27	FY28
Electric	4%	3%	2%	
Natural Gas	3%	3%	3%	
Water		6%	6%	6%
Wastewater		2%	2%	2%

Monthly Bill Impacts				
	FY25	FY26	FY27	FY28
Electric	\$5.00	\$3.85	\$2.70	
Natural Gas	\$1.90	\$1.95	\$2.00	
Water		\$2.00	\$2.15	\$2.30
Wastewater		\$1.45	\$1.50	\$1.55

FY25 Commitment Appropriations

- Authorizes commitment of expenditures subsequent to June 30, 2025, for commitments entered into on or before June 30, 2025
- FY25 total: \$145.6M
 - Electric \$61.1M
 - Natural Gas \$13.8M
 - Water \$27.5M
 - Wastewater \$38.5M
 - Fiber \$4.7M

Projects Supporting Need for Commitment Appropriations

- Electric transmission line improvements
- Electric substation improvements
- MBW water plant filters
- Gas distribution steel main replacement
- Wastewater system main replacement
- Utility relocations for highway improvements
- Vehicles and equipment
- Information technology

KUUB

KNOXVILLE
UTILITIES BOARD

Resolution 1490

- Increases FY24 wastewater budget appropriations by \$3M
- Appropriations expire June 30, 2024

Resolution 1491

- Requests City Council authorization of new bonds
 - Electric up to \$91M
 - Water up to \$20M
- In compliance with KUB Debt Management Policy
- Board adopts all provisions of City Council bond resolutions

Resolution 1492

- Authorizes issuance of up to \$20M Line of Credit for the Gas Division
- Funds wholesale natural gas purchases
- Will be repaid within one year

Resolution 1493

- Replaces the existing rate schedules of the Electric, Gas, Water, and Wastewater Divisions
- Adopts a series of three annual rate increases for each division
 - Rate increases are effective:
 - July – Water and wastewater
 - October – Gas
 - April – Electric
- Requires a second reading in June

Resolution 1494

- Adopts FY25 budget appropriations
 - Electric \$793.4M
 - Natural Gas \$134.9M
 - Water \$119.6M
 - Wastewater \$127.3M
 - Fiber \$ 28.4M

Resolution 1495

- Adopts FY25 commitment appropriations
 - Electric \$51.8M
 - Natural Gas \$10.6M
 - Water \$24.9M
 - Wastewater \$34.8M
 - Fiber \$ 3.5M



May 16, 2024

FY25 Financial & Organizational Metrics



FY25 Metrics

The Audit and Finance Committee reviews and measures financial and organizational performance.

Each year, the Audit and Finance Committee reviews proposed metrics and establishes financial and organization metrics for the upcoming year.

FY25 Metrics established May 2 – Resolution AF-95

FY25 Financial Metrics

Metric	Target
O&M	Budget or Less
Cash Generated from Operations	Budget or Greater
Debt Service Coverage	Financial Plan Target or Greater

FY25 Organizational Metrics

- Safety
- Electric reliability
- Century II infrastructure replacement
- Call Center service level performance
- Environmental stewardship and sustainability
- Fiber service

Safety Performance

FY	Serious, Preventable Injuries	Goal
2021	0	2
2022	2	1
2023	0	1
2024	0*	0
2025		0

* Through April

Electric Reliability

FY	Avg Hours w/out Power	Target Goal Duration (Hours)	Avg Occurrence w/out Power	Target Goal Frequency (Events)
2020	2.44	1.85	2.01	1.25
2021	1.83	2.10	1.24	1.50
2022	1.89	2.05	1.45	1.45
2023	1.93	2.00	1.33	1.45
2024	1.60*	2.00	1.26*	1.45
2025		1.95		1.40

* Through April

Century II Replacements

System	Asset	FY25 Plan
Electric	Underground Cable	5 Miles
Electric	Transmission Lines	9.5 Miles
Natural Gas	Low-Pressure Steel Main Replacement	6 Miles
Water	Main Replacement	12.1 Miles
Wastewater	Main Replacement	7.4 Miles

Call Center Service Performance

- Percentage of calls answered in 90 seconds
- Three-year schedule to reach 80% by FY25 approved previously
- FY25 metric is 80%

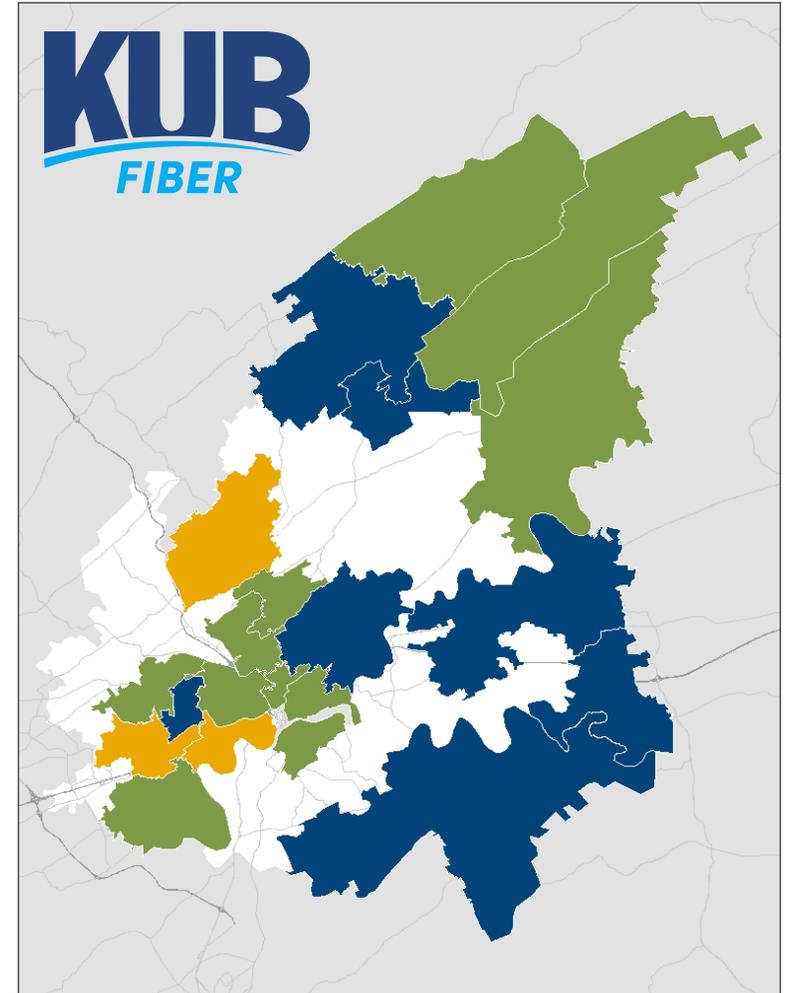
FY	Actual Results	Service Level Goal
2022	49%	-
2023	44%	60%
2024	89%*	70%
2025		80%

Environmental Stewardship & Sustainability

- Weatherize 250 homes through funding and partnerships
- Achieve 100% subscription rate on KUB Community Solar
- 20% of flexible generation under contract by end of fiscal year

Fiber Service

- Construct 1,200 miles of fiber infrastructure
- Add 9,250 customers



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UTILITIES BOARD