



May 20, 2021

FY 22 Proposed Budget



\$934 Million Budget Supports Our Vision

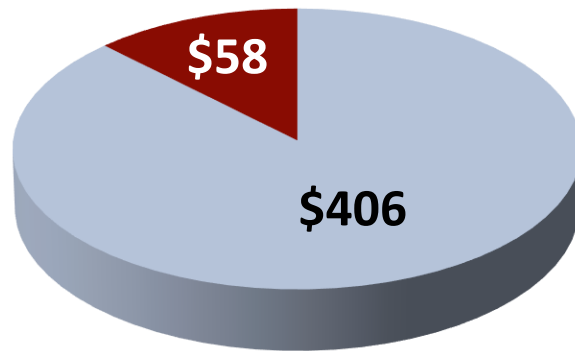
- Down \$28 million or 3% from current year budget
- Capital improvements include \$126 million for Century II
- Includes funding for home weatherization, water/energy efficiency projects, and community solar
- Funding includes \$28 million in new bonds
- Funding also includes 2% water rate increase
- Proposed water increase reduced from 5%
- Budget to be amended if Broadband approved

Proposed Total Budget: \$934 Million

	Electric	Gas	Water	Wastewater	Total
Energy Cost	\$406.1	\$57.5	\$ ---	\$ ---	\$463.6
O&M	\$70.3	\$24.1	\$32.6	\$40.1	\$167.1
Capital	\$73.2	\$30.1	\$26.9	\$47.5	\$177.7
Debt Service	\$24.8	\$10.9	\$14.1	\$33.9	\$83.7
Taxes and Equivalents	\$21.5	\$8.8	\$5.1	\$6.2	\$41.6
Millions (\$)	\$595.9	\$131.4	\$78.7	\$127.7	\$933.7

Wholesale Energy Budget: \$464 Million

FY 22 Wholesale Energy Budget



■ Electric power = 88%

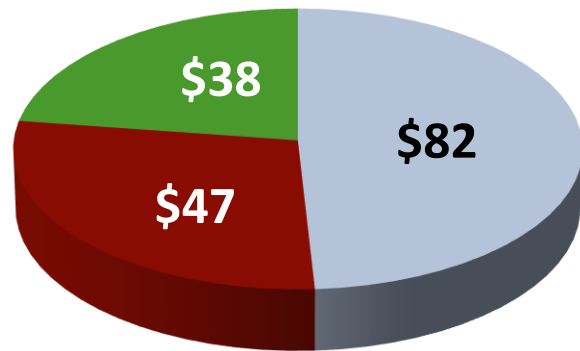
■ Natural gas = 12%

- Electric Power
 - 5.7 billion kWh
 - 212,000 electric customers
- Natural gas
 - 11.6 million dekatherms
 - 105,000 natural gas customers

Millions (\$)

O&M Budget: \$167 Million

FY 22 O&M Budget



■ Labor-related = 49%

■ Outside services = 28%

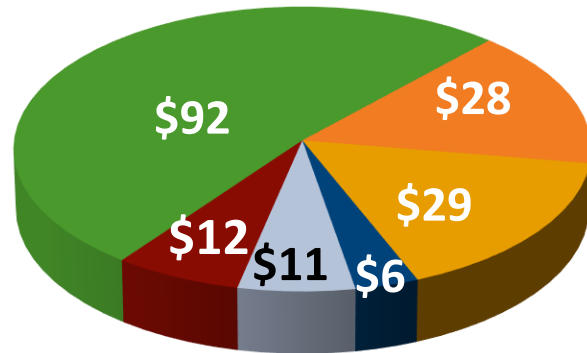
■ Materials/other = 23%

- Staffing, benefits and training \$73M
- Post-employment benefits \$9M
- Vegetation management \$12M
- Facilities maintenance \$4M
- Home weatherization for low-income \$1M
- Water efficiency for low-income \$1M
- Utilities \$9M
- Chemicals \$3M

Millions (\$)

Capital Budget: \$178 Million

FY 22 Capital Budget



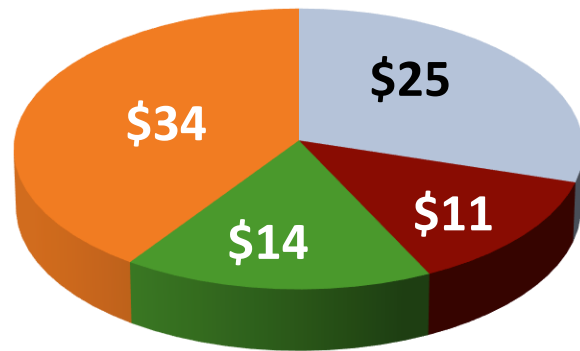
- Information technology = 6%
- Facilities/equipment = 7%
- System improv/replace = 52%
- Plant improvements = 16%
- Growth = 16%
- Relocations = 3%

- Gas, water, and wastewater mains \$33M
- Customer growth \$29M
- Water treatment plant filter project \$11M
- Jones Street wastewater pump station \$9M
- Electric transmission line upgrades \$11M
- Electric substation upgrades \$7M
- Community Solar project \$2M

Millions (\$)

Debt Service Budget: \$84 Million

FY 22 Debt Service Budget



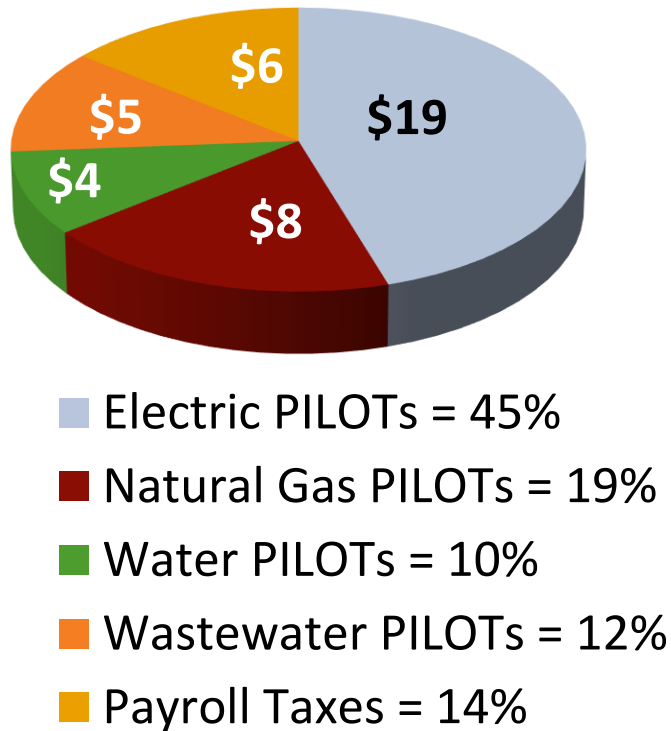
- Electric = 30%
- Natural Gas = 13%
- Water = 17%
- Wastewater = 40%

- FY 22 principal \$44M
- FY 22 interest \$40M
- Outstanding bonds \$1B
- New bonds for FY 22
 - Electric - \$16M
 - Wastewater - \$12M
- Net debt reduction of \$16M

Millions (\$)

Taxes/Tax Equivalents Budget: \$42 Million

FY 22 Taxes/Tax Equivalents Budget

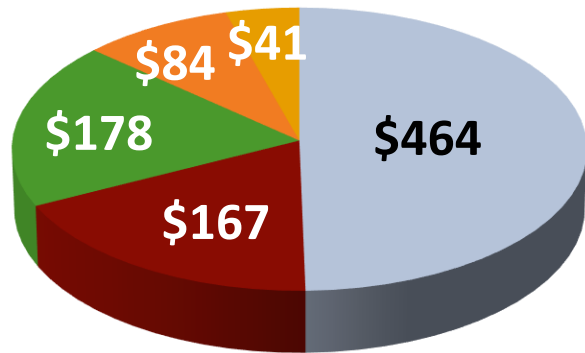


Millions (\$)

- Tax equivalents (PILOTs)
 - City \$22.8 million
 - Knox County \$11.4 million
 - Other counties \$1.1 million
- Federal payroll taxes \$6.3 million

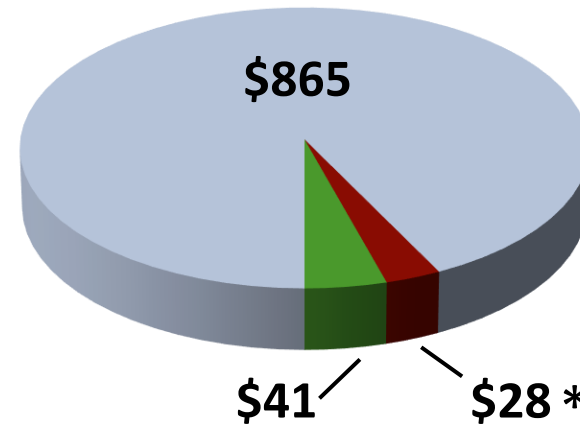
Funding FY 22 Budget

Budget = \$934M



- Wholesale Energy = 50%
- O&M = 18%
- Capital = 19%
- Debt Service = 9%
- Taxes/Tax Equivalentents = 4%

Funding = \$934M



- System Revenues = 93%
- Bonds = 3%
- Cash on Hand = 4%

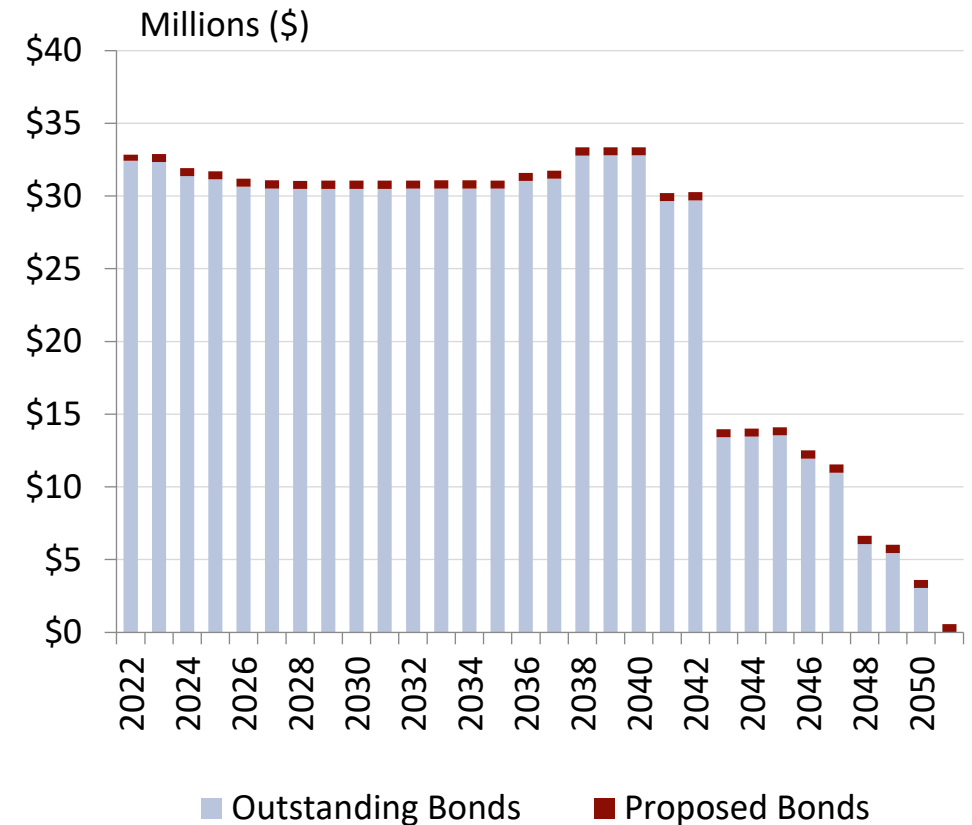
*Official action on \$16M in Electric Bonds deferred pending budget amendments

Millions (\$)

Proposed Wastewater Bonds: \$12 Million

- Fully mature in 2051
- Level payback structure
- Projected interest cost: \$4.6M
- Secured solely by wastewater system revenues
- Competitive sale summer/fall 2021
- 32% of total wastewater debt repaid in 10 years
- Total debt end of FY 22: \$474M

Wastewater Debt Service



Estimated Professional Fees for Wastewater Bonds

Cost	Professional Firm	Fee
Financial Advisor	Cumberland Securities	\$23,750
Bond Counsel	Bass, Berry & Sims	\$16,750
Rating Agency	Moody's	\$28,000
Rating Agency	Standard & Poor's	\$32,000
Paying Agent	Regions Bank	\$700
		<hr/>
		\$101,200
Other Costs (POS, OS, Advertising)		\$12,500
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		\$113,700

Proposed Water Rate Increase

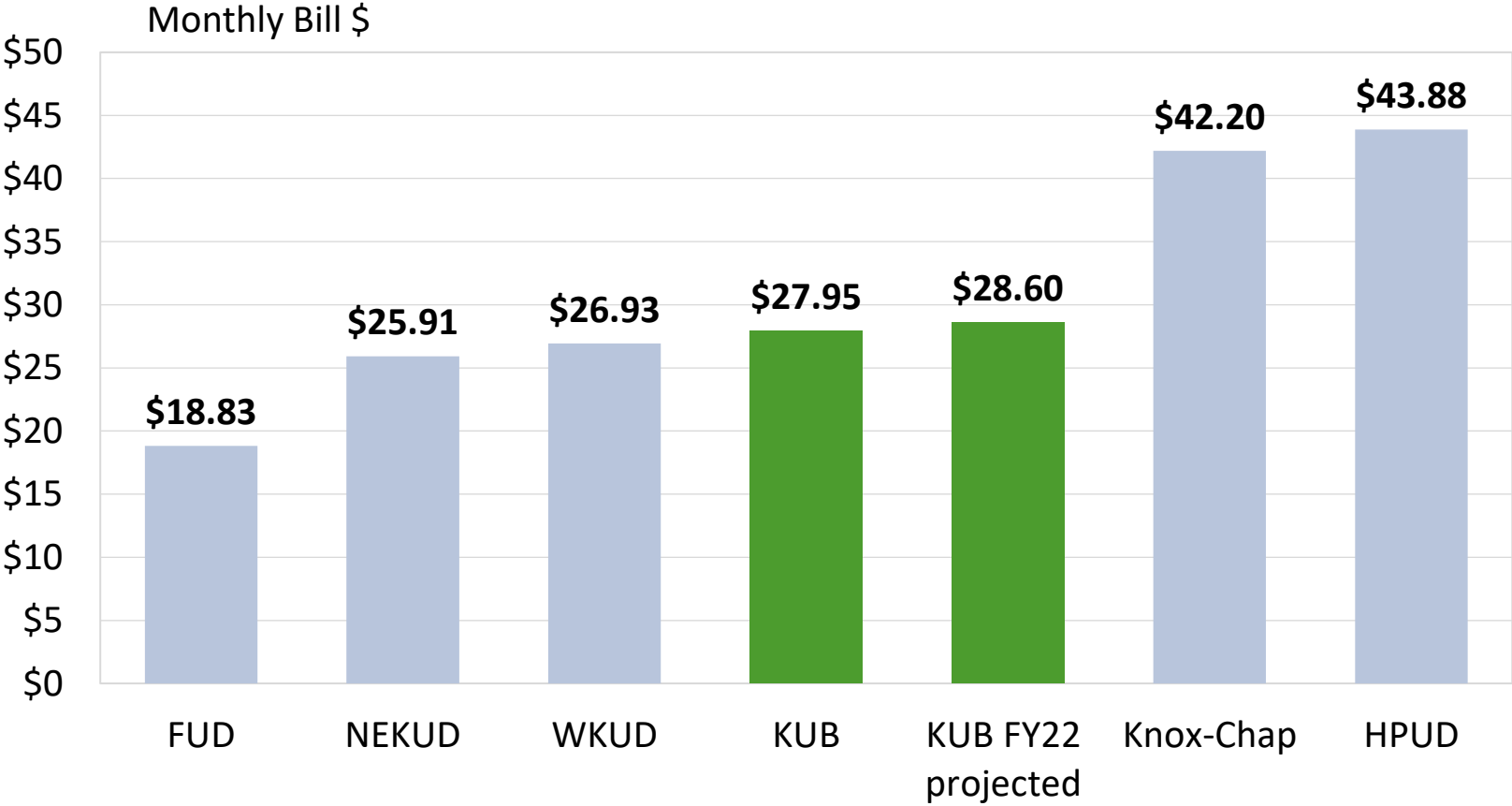
- Lowered to 2% - originally planned for 5%
- \$.65 increase on average residential monthly bill
- Applied to usage rate
- No increase in residential basic service charge
- Impacts on business customers will vary based on monthly use
- Reflected on August 2021 bills

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

Water Residential Bill Comparison



3,750 gallons water use

FY 22 Commitment Appropriations: \$101.1 Million

- Appropriations needed for commitment of cash expenditures beyond FY 22
- Allows KUB to enter into contracts/agreements resulting in cash expenditures beyond FY 22
- By system
 - Electric \$23.4M
 - Natural Gas \$12.3M
 - Water \$43.0M
 - Wastewater \$22.4M

Projects Supporting Commitment Appropriations

- Electric transmission line improvements
- Electric substation improvements
- Water treatment plant filter project
- Natural gas steel main replacement
- Wastewater system main replacement
- Utility system relocations

Resolution 1434

- 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)

Resolution 1435

- Authorizes issuance of up to \$12M in wastewater bonds
- Requires bond issue comply with KUB Debt Management Policy
- Requests City Council approval of wastewater bonds

Resolution 1436

- Adopts FY 22 budget appropriations
 - Electric \$595.9M
 - Natural Gas \$131.4M
 - Water \$ 78.7M
 - Wastewater \$127.7M

Resolution 1437

- Adopts FY 22 commitment appropriations
 - Electric \$23.4 million
 - Natural Gas \$12.3 million
 - Water \$43.0 million
 - Wastewater \$22.4 million

KUB





May 20, 2021

Broadband Update



Today's Update

- Results of regulatory reviews
 - TVA
 - Comptroller
- Overview of planned public forum
- Approval process next steps

TVA Review

- Business Plan approved in early May
- Many factors evaluated
- No cross-subsidization
- Low risk to electric rate-payers
- “Best plan we have seen”



Comptroller Review

- Met with Comptroller and staff on April 7
- Review very thorough
- Entities opposing KUB's plan met with Comptroller
- Feasibility letter received on May 11
- Business Plan deemed financially feasible



“You Are Here”



Board Action Required to Take Next Step

- Public forum required no less than 2 weeks prior to final vote on plan
- Board action to set meeting must include
 - Notice of intent to proceed
 - Provision of business plan and summary of provisions
 - Announcement of public forum

Public Forum Overview

- Agenda
 - Call to order
 - Brief presentation of business plan
 - Customer comments
- Staff on hand after meeting for customer Q & A

Meeting Details

- 6:00 p.m., Wednesday, May 26
- Grande Event Center (Knoxville Expo Center)
- Pre-registration on dedicated webpage (*www.kub.org/broadband*)
- Comments can also be provided by:
 - E-mail
 - US Mail
 - Recorded phone message

Resolution 1438

- Accepts findings of the Comptroller's office
- Endorses KUB's Business Plan
- Authorizes next step in the approval process
- Sets a date and time for the public forum

KUB

