

June 17, 2021

Proposed Water Rate Increase

Resolution 1434 – Second Reading

Proposed Water Rate Increase

- Lowered to 2% originally planned for 5%
- Needed to maintain funding for Water Century II and Water Plant Resiliency projects
- \$0.65 increase on average residential monthly bill
- Applied to usage rate
- No increase in residential basic service charge
- Impacts on 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

Resolution 1434 – Second Reading

- 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)







June 17, 2021

Authorizing KUB Broadband Services

Resolutions 1439 & 1440

"You Are Here"



Fiber is the Key to the Electric Grid's Future

- New and higher expectations of the electric grid are here
- Fiber provides a low latency, high reliability communication platform
- Current and future applications support reliability, system efficiency, and load management
- Positions KUB to utilize emerging technologies
- Enables revenue generation through broadband services

Enhanced Electric Grid Modernization Financial Overview

- \$702M in new electric system costs over 10 years
- Capital investment represents 63% of costs
 - Full build-out of fiber infrastructure
 - New distribution automation technologies
- Up-front loan of \$35M to Fiber Division
- Balanced funding approach utilizing debt, rates, fiber access payments, and other sources

Enhanced Electric Grid Modernization 10-Year Financial Plan

Electric System Costs	Amount	Cost %	
Capital	\$442M	63%	
0&M	\$ 67M	9%	
Interest on Bonds	\$ 83M	12%	
Taxes/Tax Equivalents	\$ 50M	7%	
Loan to Fiber Division	\$ 35M	5%	
Cash Reserves	\$ 25M	4%	
Total	\$702M		

Balanced Funding Approach

Funding Sources	Amount	Funding %	
Bond Proceeds	\$284M	41%	
Rates	\$199M	28%	
Fiber Access Revenue	\$176M	25%	
Fiber Loan Repayment	\$ 35M	5%	
Fiber Loan Interest	\$ 8M	1%	
Total	\$702M		

Electric Rate Forecast

- Ten-year financial plan includes three consecutive 3% annual rate increases
- Rate increases fund the high-speed fiber network and other electric system improvements (Century II)
- Funding the fiber network requires planned rate increases be slightly higher, sooner
- No rate increases anticipated for the following seven years
- Long-term impact of funding the fiber network is \$3.60 on the average residential monthly bill
- Rate increases effective April 2022, 2023, and 2024

Long-Term Residential Bill Impacts

kWh Used	Current Monthly Bill	Bill Increase for both Century II and Fiber Network	Bill Increase for Century II	Bill Increase for Fiber Network
500	\$64.40	\$4.90	\$3.25	\$1.65
750	\$86.30	\$7.40	\$4.90	\$2.50
1,000	\$108.25	\$9.80	\$6.50	\$3.30
1,100	\$117.00	\$10.80	\$7.20	\$3.60
1,250	\$130.20	\$12.30	\$8.15	\$4.15
1,500	\$152.10	\$14.75	\$9.75	\$5.00
1,750	\$174.05	\$17.20	\$11.40	\$5.80
2,000	\$196.00	\$19.65	\$13.00	\$6.65

Most Customers Support KUB Broadband

- Confirmed the digital divide in our service area
- Two public meetings
 - 120 attendees
 - Opportunity for questions
- More than 300 emails and phone calls
 - 90% in support
- Public support by Knoxville and Union County mayors
- Frequently asked questions/answers on website

Customer Feedback

"Broadband is no longer a luxury, the new toy in homes. I believe we're now understanding that internet accessibility is related to our country's ability to compete in the world."

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*"I am a current KUB customer and resident of Knox County. I who

property control of a spase not projection to serve our neighborho Broadband control of Universal broadband access provided and sup especially for later fringe areas like Heiskell that are poorly served. local maker community and serve on the mayor's council for small i

"My opinion...<u>YES</u>!!! Get into selling KUB broadband internet!"

, the new toy in homes are served a were now understanding that internet access anding this information to say HOA Board. Thank you for being forward thinking t service and to reach a broad base of underserved customers. Thank you for th

> "I know how important municipal broadband is for medium and especially low-income households, especially those with children attending school. As a teacher, it would be going against everything my profession stands for if I opposed municipal broadband."

nunicipal broadband. EPB has had great success in Chattanooga, and I would

"Broadband internet is an essential part of everyday life in modern America, and I think it should be treated as the essential utility that it is, so it makes sense for KUB to offer broadband services."

Id be a godsent and the service area in general, but me an essential quarter of life issue."* " I am a member of the unicipal broadband will help improve Knoxville's economic a because they needed the broadband for their business. If "The most important aspect of municipal broadband from ing only a function of the basis of the service of the service

"This is something that we as a city and community must support!"

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service could become."*" Our internet is very unreliable, and our only option is satellite internet via onsidering that our rural areas have a more difficult time getting reliable internet, I hope KUB

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"I fully support KUB providing broadband. I think it's an absolute no brainer for KUB to provide internet service, high speed."

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eat example of what a Knoxville-based municipal broa customer and fully support having this brought to our area.

Establishing the Fiber Division

- Financially independent, self sustaining KUB division
- Broadband services
 - Symmetrical high-speed internet
 - Managed router service
 - Television and Voice Over IP
- Estimated addition of 200 KUB staff
- Plan includes additional facilities
- Marketing and sales support included

Funding Recommendations August Board Meeting

- Increase FY 22 Electric Division budget by approximately \$40M
- Authorize up to \$65M in new electric bonds
- Adopt electric rate increases first reading
- Adopt FY 22 Fiber Division budget of approximately \$5M

KUB Remains Committed to Low-Income Assistance

- Community Low-income Internet Program
- Public and private funding sources
- Administered by KUB
- Low-income eligibility determined in cooperation with funding partners
- City commits to annual funding through interlocal cooperation agreement with KUB
- Seeking additional funding partners
- Effective July 1, 2022

Resolution 1439

- Authorizes KUB to provide broadband services to the fullest extent permitted by law
- Requests City Council authorization for KUB to provide broadband services to the fullest extent permitted by law
- Establishes the Fiber Division subject to City Council authorization of broadband

Resolution 1440

- Authorizes establishment of a Community Low-income Internet Program
- Requests City Council authorize the City to enter an interlocal cooperation agreement with KUB to provide funding for the Community Low-income Internet Program
- Authorizes the President and CEO to enter separate interlocal cooperation agreements with the City and other local government entities



June 17, 2021

Long-term Natural Gas Supply Contract



Long-term Supply Contract

- Resolution 1429 authorized execution of long-term natural gas supply contract with Tennergy
- Tennergy issued bonds to pre-pay for gas supply
- Pre-pay allows Tennergy to sell to KUB at discount
- Term up to 31 years

Contract Details

- Contract finalized in April
- Gas flow starts November
- Average daily purchase of 2,800 Dth (~10% of KUB supply)
- \$0.30 discount per Dth
- 30-year savings exceeds \$9M
- All savings passed through to gas system customers

