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

**Inside City Water Customers**

<table>
<thead>
<tr>
<th>Gallons Used</th>
<th>Current Bill</th>
<th>Bill w/ Rate Inc.</th>
<th>Increase</th>
<th>% of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>750</td>
<td>$19.00</td>
<td>$19.10</td>
<td>$.10</td>
<td>7%</td>
</tr>
<tr>
<td>1,500</td>
<td>$20.00</td>
<td>$20.20</td>
<td>$.20</td>
<td>15%</td>
</tr>
<tr>
<td>2,250</td>
<td>$22.65</td>
<td>$23.00</td>
<td>$.35</td>
<td>14%</td>
</tr>
<tr>
<td>3,000</td>
<td>$25.30</td>
<td>$25.80</td>
<td>$.50</td>
<td>16%</td>
</tr>
<tr>
<td><strong>3,750</strong></td>
<td><strong>$27.95</strong></td>
<td><strong>$28.60</strong></td>
<td><strong>$.65</strong></td>
<td><strong>11%</strong></td>
</tr>
<tr>
<td>4,500</td>
<td>$30.60</td>
<td>$31.40</td>
<td>$.80</td>
<td>10%</td>
</tr>
<tr>
<td>5,250</td>
<td>$33.25</td>
<td>$34.20</td>
<td>$.95</td>
<td>6%</td>
</tr>
<tr>
<td>6,000</td>
<td>$35.90</td>
<td>$37.00</td>
<td>$1.10</td>
<td>5%</td>
</tr>
<tr>
<td>6,750</td>
<td>$38.55</td>
<td>$39.80</td>
<td>$1.25</td>
<td>3%</td>
</tr>
<tr>
<td>7,500</td>
<td>$41.20</td>
<td>$42.60</td>
<td>$1.40</td>
<td>2%</td>
</tr>
</tbody>
</table>
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)
Authorizing KUB Broadband Services
Resolutions 1439 & 1440
City Council authorizes KUB to provide broadband services and requests City Council approval.

Board consideration for seeking public input.

Public hearings with KUB Board of Commissioners.

Receipt of Comptroller review letter.

May 2021 Board consideration for seeking public input.

May 2021 Board of Commissioners

March 11, 2021 Board consideration of business case for submission to TN Comptroller.
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

<table>
<thead>
<tr>
<th>Electric System Costs</th>
<th>Amount</th>
<th>Cost %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$442M</td>
<td>63%</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>$  67M</td>
<td>9%</td>
</tr>
<tr>
<td>Interest on Bonds</td>
<td>$  83M</td>
<td>12%</td>
</tr>
<tr>
<td>Taxes/Tax Equivalents</td>
<td>$  50M</td>
<td>7%</td>
</tr>
<tr>
<td>Loan to Fiber Division</td>
<td>$  35M</td>
<td>5%</td>
</tr>
<tr>
<td>Cash Reserves</td>
<td>$  25M</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$702M</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Balanced Funding Approach

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>Amount</th>
<th>Funding %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Proceeds</td>
<td>$284M</td>
<td>41%</td>
</tr>
<tr>
<td>Rates</td>
<td>$199M</td>
<td>28%</td>
</tr>
<tr>
<td>Fiber Access Revenue</td>
<td>$176M</td>
<td>25%</td>
</tr>
<tr>
<td>Fiber Loan Repayment</td>
<td>$35M</td>
<td>5%</td>
</tr>
<tr>
<td>Fiber Loan Interest</td>
<td>$8M</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$702M</strong></td>
<td></td>
</tr>
</tbody>
</table>
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

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

"My opinion...YES!!! Get into selling KUB broadband internet!"

"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."

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

"I am a current KUB customer and resident of Knox County. I wholeheartedly support the creation of KUB municipal broadband service. I believe that EPB in Chattanooga is a great example of what a Knoxville-based municipal broadband service could become."

"Our internet is very unreliable, and our only option is satellite internet via HughesNet. I am a KUB customer and fully support having this brought to our area, considering that our rural areas have a more difficult time getting reliable internet, I hope KUB would.”
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
• 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