



December 18, 2025

Payments In Lieu of Taxes

Resolution 1513



FY 2026 Payments In Lieu of Taxes (PILOTs)

- Fiscal Year 2026 (FY26) payments = \$34,405,287
- Increase of \$2,448,609
- Reflects increases in net plant values and operating margins

PILOTs Governance

	Established by	Approved by	Basis	Paid
Electric & Natural Gas	State Law	KUB Board & City Council	Net Plant Value & Avg. Operating Margin	June
Fiber	State Law	KUB Board & City Council	Net Plant Value	June
Water & Wastewater	City Charter	KUB Board	Net Plant Value	February

FY26 PILOTs Up \$2.4M

	FY26	FY25	Change
Electric	\$18,992,987	\$17,184,661	\$1,808,326
Natural Gas	\$6,193,691	\$6,044,143	\$149,548
Water	\$2,968,141	\$2,777,013	\$191,128
Wastewater	\$6,232,287	\$5,935,511	\$296,776
Fiber	\$18,181	\$15,350	\$2,831
Total	\$34,405,287	\$31,956,678	\$2,448,609

Payments by Jurisdiction

	FY26	FY25	\$ Change	% Change
City of Knoxville	\$24,142,247	\$22,496,330	\$1,645,917	7.3%
Knox County	\$8,776,040	\$8,313,608	\$462,432	5.6%
Union County	\$758,649	\$612,424	\$146,225	23.9%
Sevier County	\$432,611	\$253,737	\$178,874	70.5%
Grainger County	\$162,608	\$180,185	(\$17,577)	(9.8%)
Jefferson County	\$89,897	\$79,640	\$10,257	12.9%
Blount County	\$21,298	\$9,288	\$12,010	129.3%
Anderson County	\$20,773	\$9,957	\$10,816	108.6%
Loudon County	\$1,164	\$1,509	(\$345)	(22.9%)
Total	\$34,405,287	\$31,956,678	\$2,448,609	7.7%

Resolution 1513

(Electric, Natural Gas, & Fiber PILOTs)

- Requests City Council set electric, natural gas, and fiber tax equivalent payments for FY26 and provide for their distribution
- Total payments = \$25,204,859



December 18, 2025

Century II Updates



Electric Overview

- FY26 total investment is \$26.9M
 - Substations \$7.3M
 - Transmission system \$7.5M
 - Underground distribution system \$2.4M



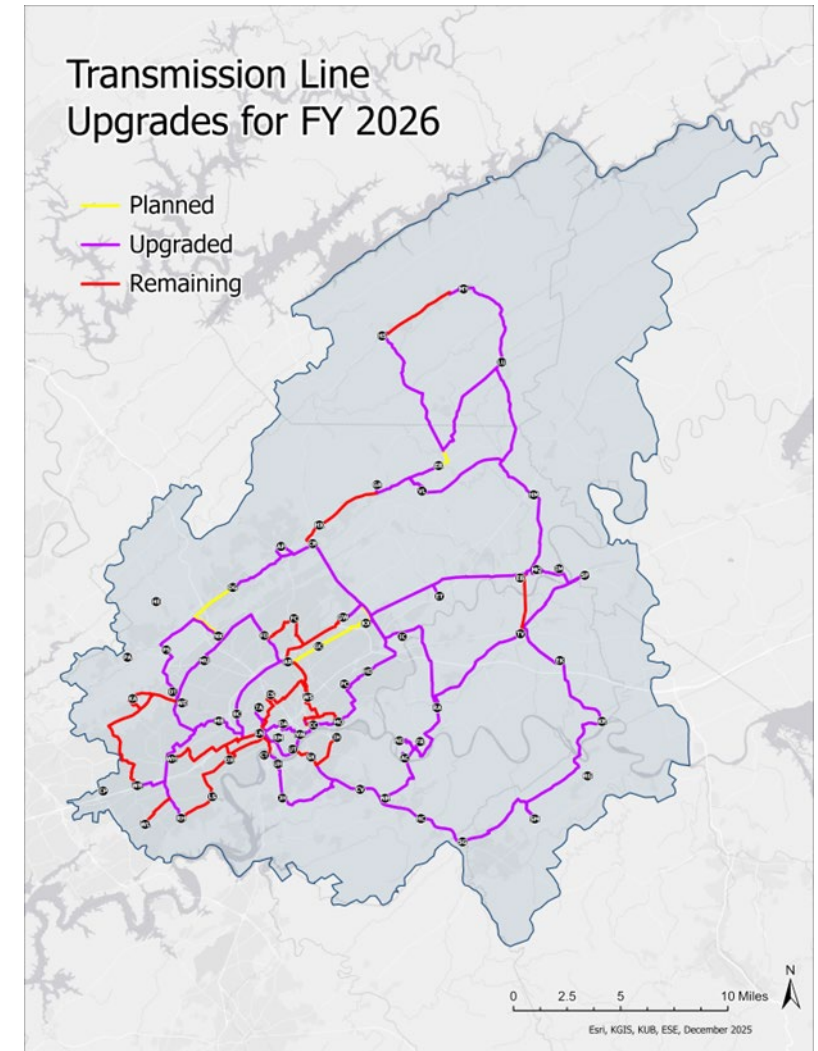
FY26 Substation Projects

- West Hills Substation (TVA Infeed)
 - Century II refurbish/add capacity
 - Meet commercial demand in Middlebrook Pike area
 - On track for completion in February 2026
- Halls Substation Build
 - Located on Emory Road
 - Site development in progress
 - Adds 50MVA capacity due to system growth
- Transformer Replacements
 - Coster Shop Substation
 - Scheduled completion January 2026
 - Emory Roberts Substation
 - Scheduled completion February 2026



Century II - Transmission System Rebuild

- 69kV Transmission Rebuild Program
- FY26 Projects – 8 miles (\$11.2M)
 - Powell/Emory Road – 2.5 miles
 - Scheduled completion January 2026
 - Whittle Springs – 4.25 miles
 - Corryton – 2.13 miles
 - Scheduled completion February 2026
 - East Town – 0.5 miles
 - Complete



Powell/Emory Road Transmission Line



Underground Distribution System

- New strategic underground conversion program (\$3M/year)
 - 1-2 miles/year beginning FY26
 - Rudder Lane area – Rocky Hill
 - Sequoyah Square – Sequoyah Hills
 - Summers Road – Hickory Star

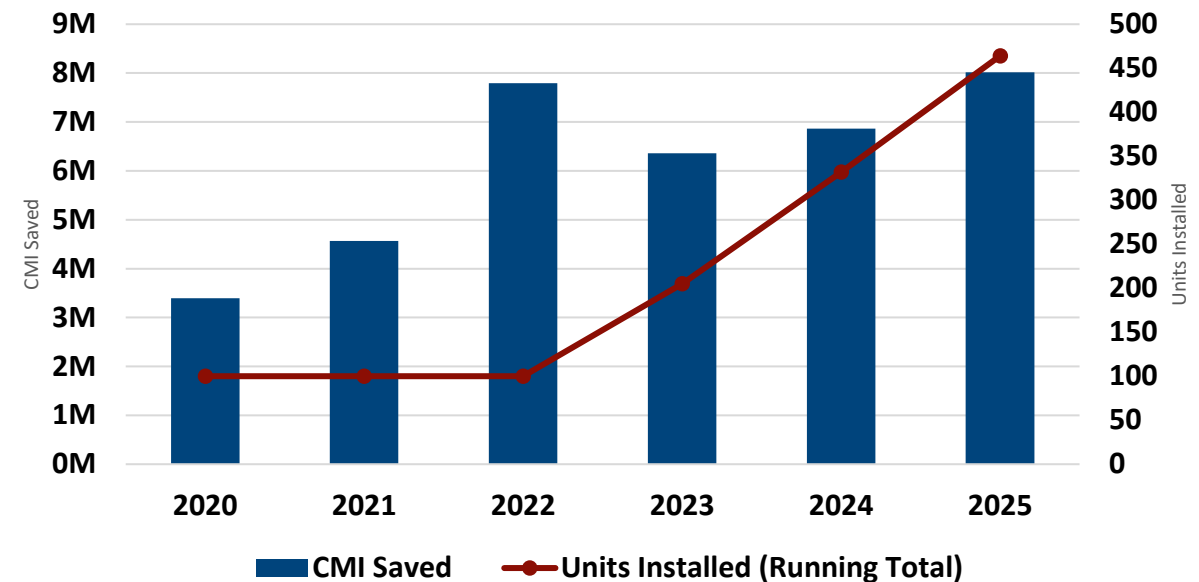


Grid Modernization

- Smart switch installation
 - FY26 – 60 of 144 units installed
 - Benefiting over 85,000 customers
 - 8 million minutes of interruption avoided (YTD)
- Voltage optimization (DVR)
 - FY26 – targeting 24 transformers
 - 3MW in demand reduction
- Energy storage systems
 - Two 2MW/2hr batteries on order
 - 4MW in demand reduction

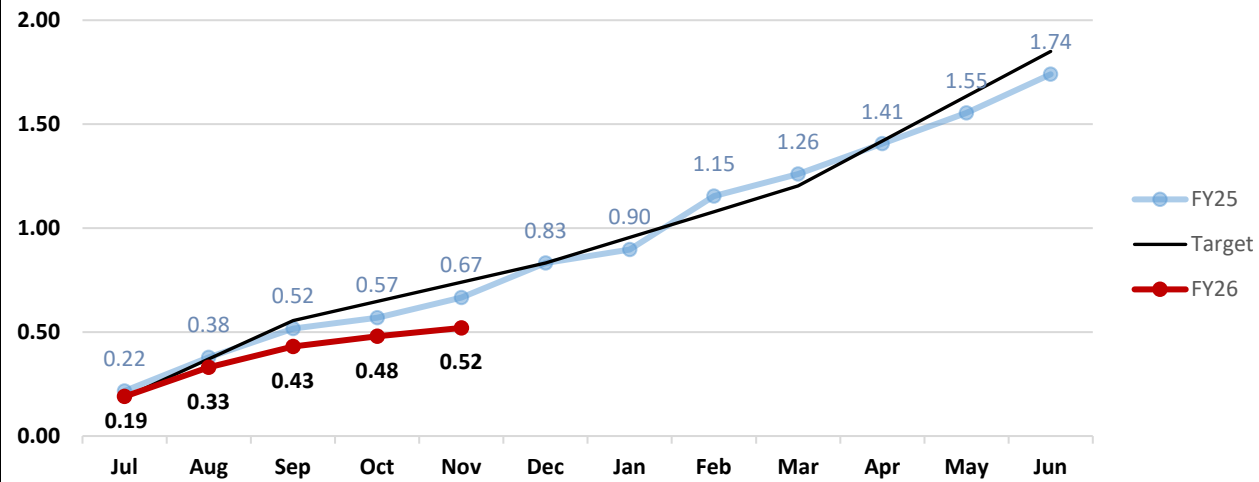


Smart Switch CMI Saved by CY

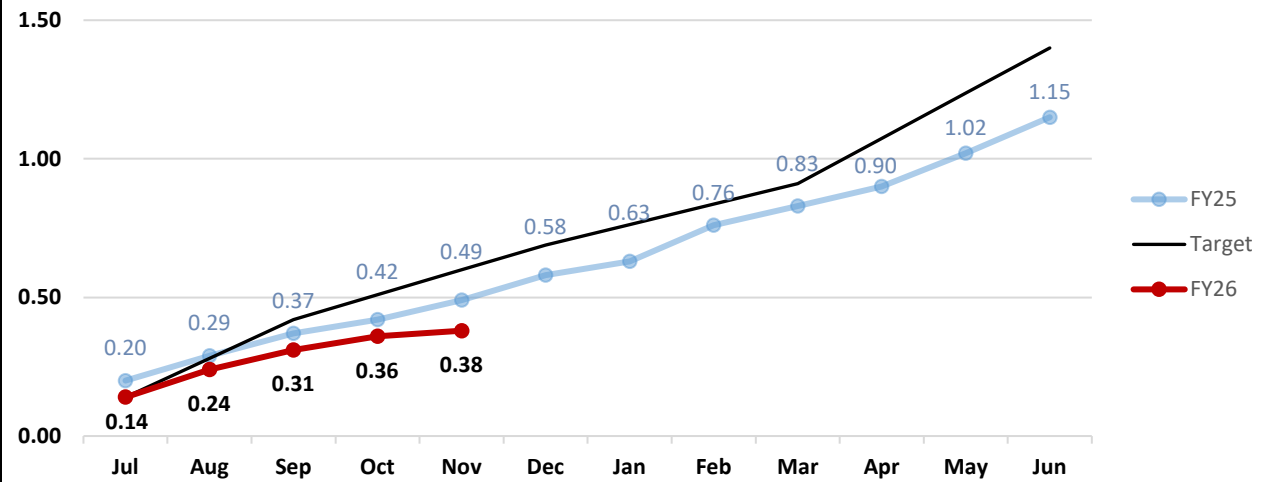


Reliability

SAIDI FY26
Average Customer Hours of Interruption



SAIFI FY26
Average Number of Interruptions per Customer



Natural Gas Overview

- FY26 total investment is \$4.01M
 - Distribution steel replacement – \$1.54M
 - Loop and backfeed – \$0.61M
 - High pressure system – \$0.51M



FY26 Low Pressure Steel Projects

- FY26 steel replacement projects

- Middlebrook Pike (FY26)

- Replacing older steel
 - Starting in January 2026

- Harmon Road (FY26)

- Replacing 2 miles of steel
 - Includes looping of 300 customers
 - Scheduled completion April 2026 (contractor mobilized)



Figure 3. Dresser Style 90 Coupling

- PHMSA grants

- \$5M awarded to KUB for isolated distribution steel replacement
 - Completed NEPA process
 - Bidding projects in spring FY26



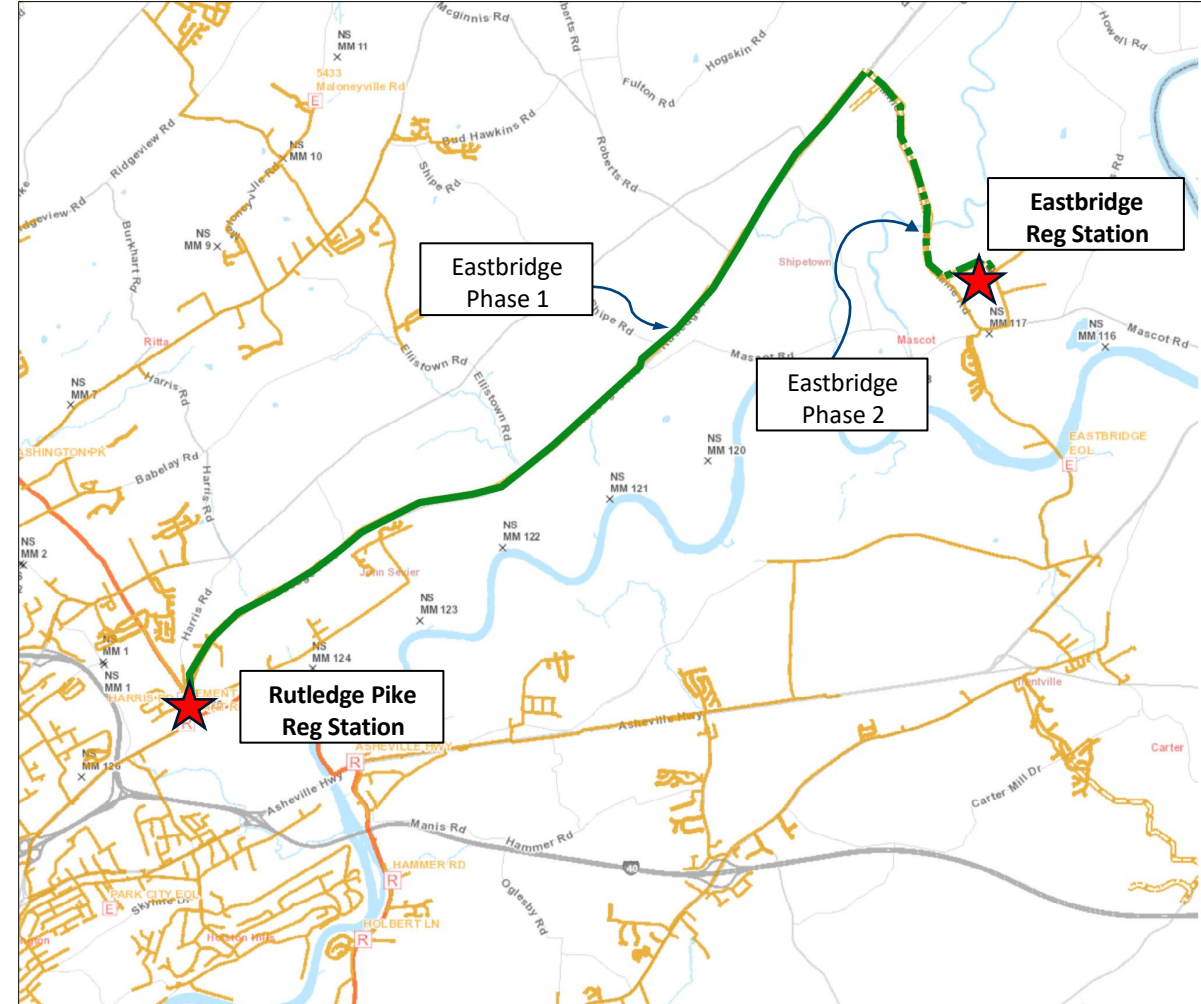
FY26 Resiliency (Loops & Backfeeds)

- Loop projects
 - Bruhin Road (400 customers FY26)
 - 800 of 4100 linear feet installed (20%)
 - Scheduled completion March 2026
 - Harmon Road (300 customers FY26)
- Backfeeds to underfed areas
 - Cumberland Avenue Phase II (FY26)
 - Project completed in August 2025
 - Final paving planned for March 2026



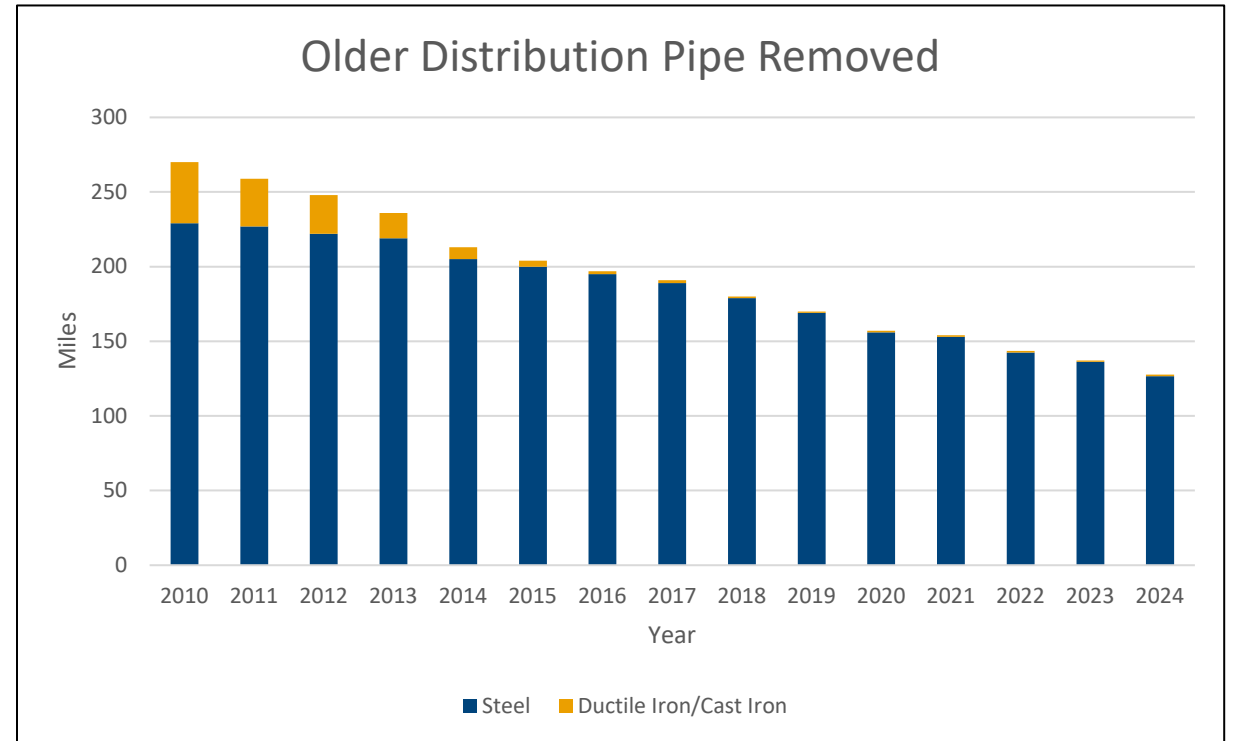
High Pressure System

- Eastbridge Loop (FY25-26)
 - \$7M project
 - 10 miles of 8" & 12" HDPE
 - 2 miles of 2" MDPE
 - Provides capacity to East Knox County, including Eastbridge Business Park
 - 1 of 3 regulator stations installed
 - Scheduled completion January 2026



Accomplishments

- One-way feeds of over 300 customers have been resolved (Set new target at 200)
- Continued reduction of metallic distribution main has reduced leaks from coupled steel
- 10 miles of HDPE installed to service East Knox County



Water Overview

- FY26 total investment is \$34.5M
 - Treatment plant projects – \$12.9M
 - Remote site projects – \$1.3M
 - Distribution system replacement projects – \$20.2M



MBW Water Treatment Plant

- FY26 Water Supply Master Plan investment is \$12.9M
- Filters Project
 - Largest construction project in KUB history
 - Complete in FY26
- General Shale property demolition
- Upcoming projects
 - Electrical Upgrades Phase II (FY26-FY27)
 - Clarifier no. 4 and raw water distribution (FY26-FY28)



Distribution System

- Boyds Bridge CMAR river crossing
 - Construction beginning January 2026
- Distribution System Master Plan projects
 - 40F3 Water/Wastewater (FY25-FY27)
 - Forks of the River resiliency (FY26-FY27)
 - Dora Street cast iron replacement (complete)



Distribution System

- KUB Underground Construction
 - Fort Sanders Phase I & Phase II
 - World's Fair Park Drive 24" transmission main
 - Sherwood AC replacement
- System improvements
 - Hydrants, valves, paving, district metering
 - GPS of water valves during assessment



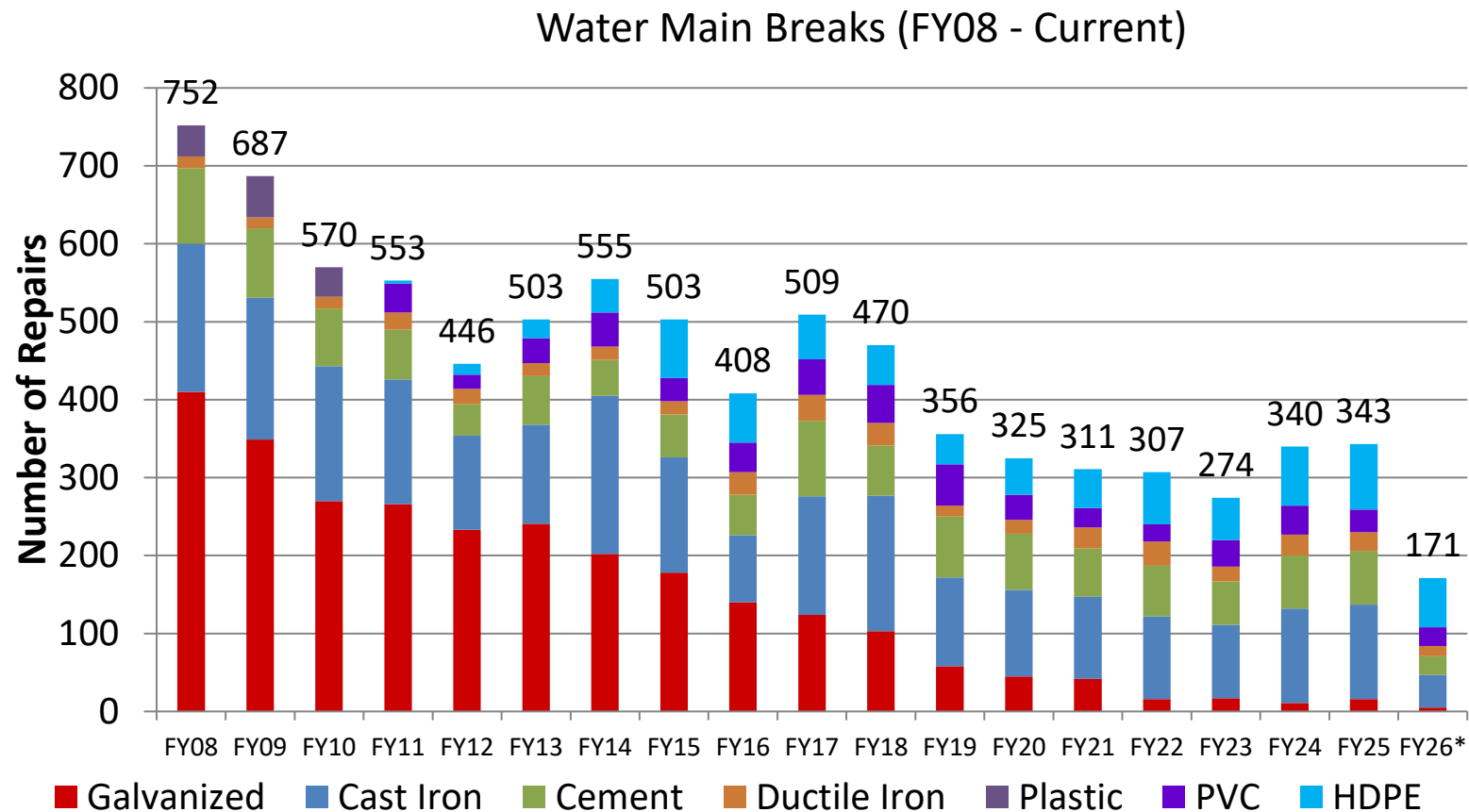
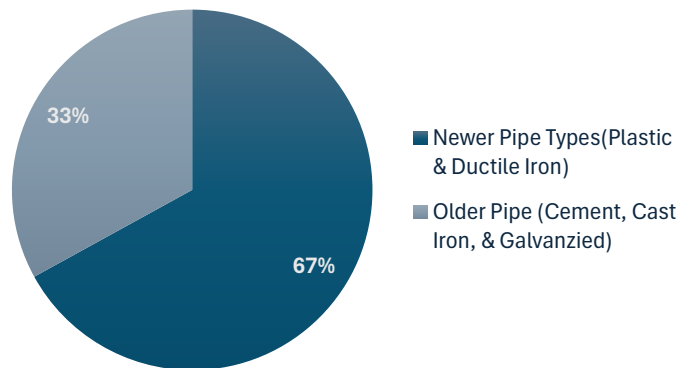
Remote Sites

- FY26 remote sites investment is \$1.3M
- Middlebrook Booster Pump Station
 - Construction complete in FY26
 - New addition to water system
- Mockingbird and Sherrod backup generators
 - Project completion in FY26



Century II Outcomes

- Main break reduction
 - Reduced by 54% since FY08
- Majority of galvanized pipe has been removed, resulting in significantly less main breaks



Wastewater Overview

- FY26 total investment is \$32.1M
 - Treatment plant projects – \$7.6M across all four plants
 - Remote sites projects – \$9.5M
 - Collection system rehabilitation projects – \$15M



Treatment Plants

- FY26 investment is \$7.6M across all four plants
 - Kuwahee disinfection conversion (FY26-FY27)
 - Kuwahee clarifier equipment replacement (Completion in FY26)
 - Eastbridge disinfection conversion (FY26)



Remote Sites

- FY26 total investment is \$9.5M
- Walker Springs Pump Station (FY26-FY27)
 - \$10.7M; \$4.75M ARPA funding
 - Pump station construction ongoing (expected completion summer 2027)
- Boyds Bridge Force Main
 - Starting construction January 2026
- Holston Hills Pump Station
 - Completion in early spring 2026



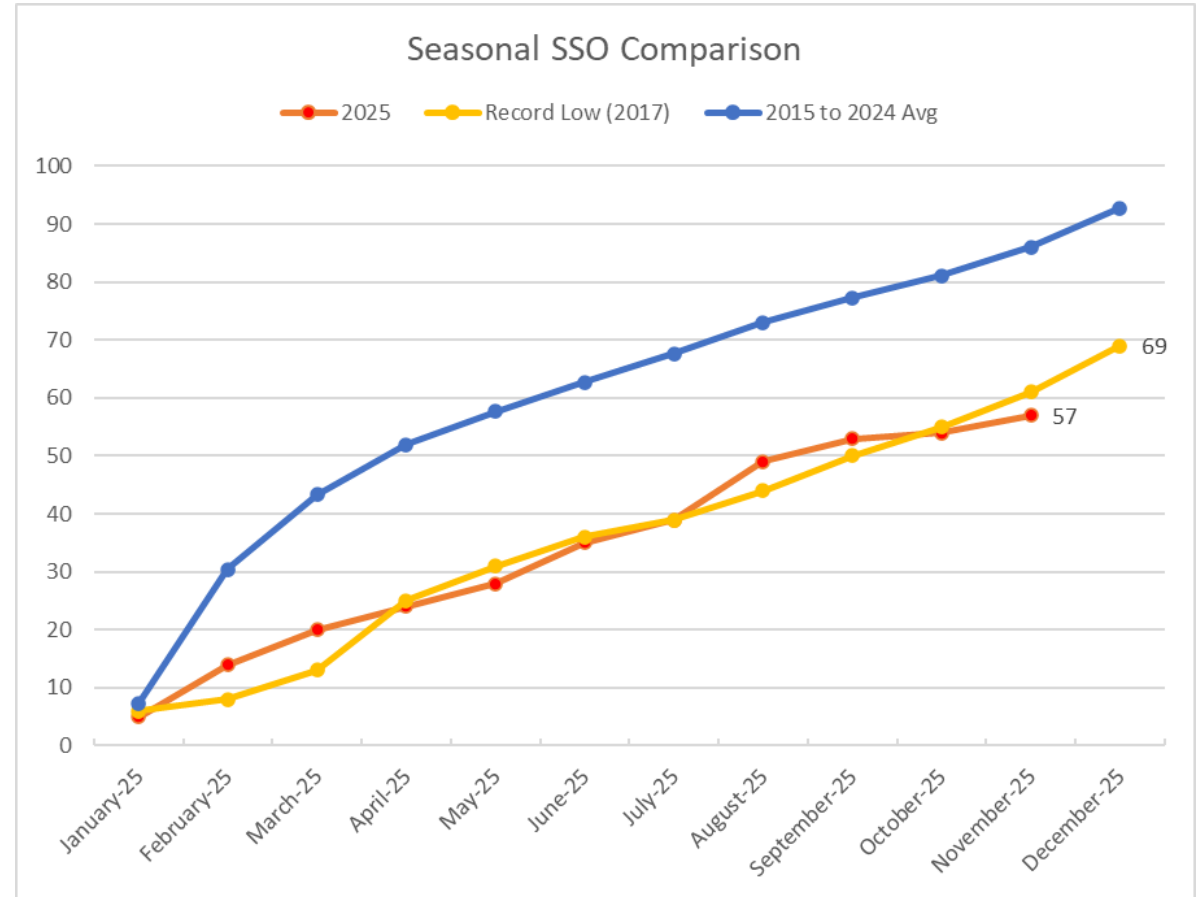
Collection System Projects and Programs

- FY26 total investment is \$15M
- Collection System Master Plan projects
 - 40F3 Water/Wastewater (FY25-FY27)
 - Fort Sanders Phase II
 - Mini basin 16A1a sewer rehabilitation
- Program synergy reduces overflows
 - Preventative maintenance
 - Blockage abatement
 - Shortline rehabilitation
 - Collection system rehabilitation



2025 Sanitary Sewer Overflow Events

- 57 events through November
- Record low annual amount occurred in 2017
- December historical average is around 10 events; only one so far in 2025
- System has benefited from an average annual rainfall total with no large outlier rain events





KUB

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UTILITIES BOARD