



August 19, 2021

Proposed Electric Rate Increases, Electric Bonds,
Electric Budget Amendment, Fiber Budget and
Commitment Appropriations

Resolutions 1441, 1442, 1443, 1444, 1445



Funding Recommendations for Consideration

- 3% electric rate increases
- \$55M in electric bonds
- \$43.1M increase in electric budget appropriations
- \$6M in fiber budget appropriations
- \$3M in fiber commitment appropriations

Proposed Electric Rate Increases

- Three consecutive 3% rate increases
- Effective April 2022, April 2023, and April 2024
- Fund Century II improvements and fiber network
- Total impact is \$10.80 on monthly bill for average residential electric customer
 - \$7.20 for Century II
 - \$3.60 for fiber network
- Commercial/industrial customer impacts will vary
- No rate increases projected for the following 7 years

Residential Bill Impacts

- Rate increases applied solely to usage rate
- Bill impacts will vary based on electric usage
- Total impact for average residential customer is around \$10.80
- More than half of residential customers use less than the system average

Monthly kWh	Current Bill	FY 24 Bill	Total Increase	% of Customers
300	\$46.89	\$49.86	\$2.96	10%
500	\$64.48	\$69.42	\$4.94	10%
800	\$90.87	\$98.77	\$7.90	20%
1,000	\$108.46	\$118.34	\$9.88	12%
1,100	\$117.26	\$128.11	\$10.85	6%
1,500	\$152.44	\$167.26	\$14.82	17%
2,000	\$196.42	\$216.18	\$19.76	12%

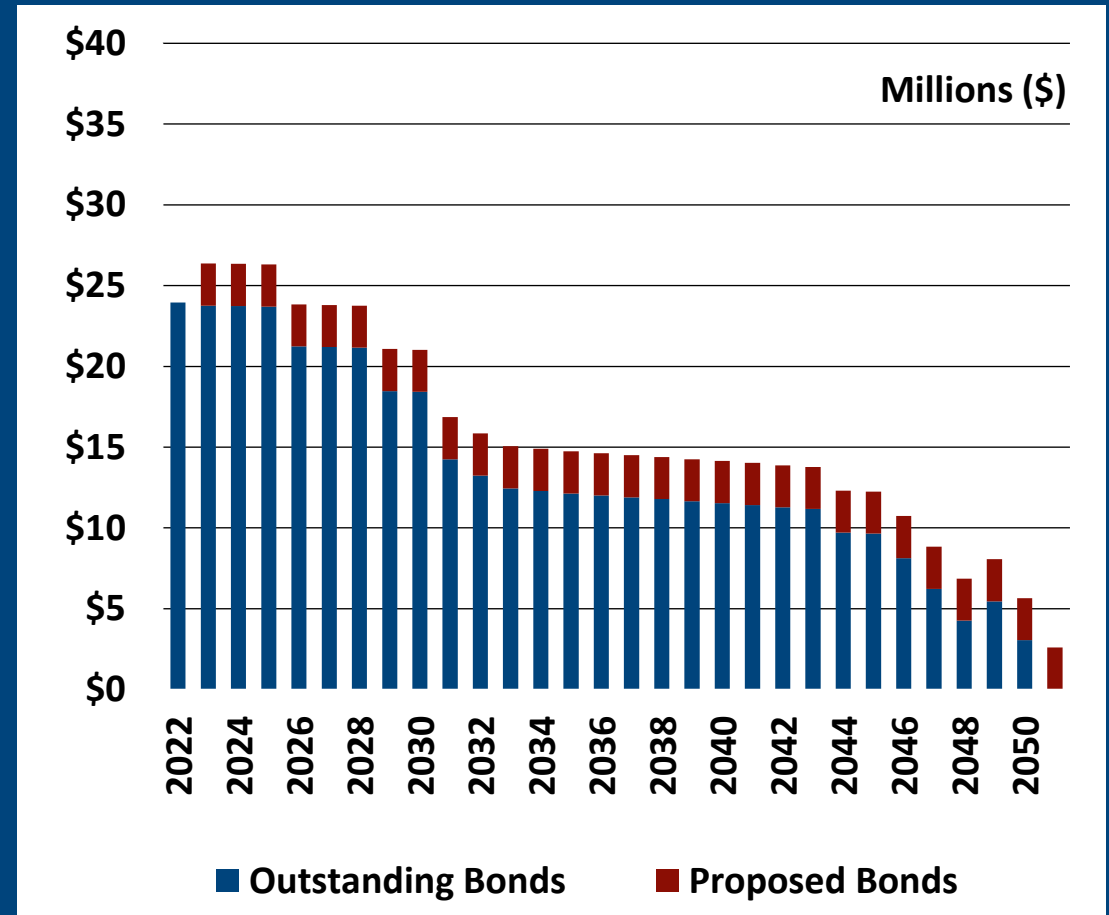
Updated Electric Cost of Service Results

Customer Class	# of Customers	Cost of Service	Projected Revenue	% Under (Over) Collected
Residential	188,360	\$288,795,000	\$264,277,000	9.3%
GSA-1	20,380	\$ 44,887,000	\$ 51,708,000	(13.2)%
GSA-2	2,580	\$133,064,000	\$145,305,000	(8.4)%
GSA-3	52	\$ 21,121,000	\$ 26,642,000	(20.7)%
Non-Standard	10	\$ 62,044,000	\$ 62,258,000	(0.3)%
Outdoor Lighting	1,600	\$ 6,409,000	\$ 6,130,000	4.5%
Total		\$556,320,000	\$556,320,000	0.0%

Proposed Electric Bonds: \$55M

- Fully mature by 2052
- Level payback structure
- Fixed-rate bonds
- Projected interest cost: \$20.7M
- Secured solely by electric system revenues
- Competitive sale fall/winter
- Total debt end of FY 22: \$316M
- 47% or \$149M of electric debt repaid over next 10 years

Electric Debt Service



Estimated Professional Fees for Electric Bonds

Cost	Professional Firm	\$ Amount
Financial Advisor	Cumberland Securities	\$ 50,000
Bond Counsel	Bass Berry & Sims	\$ 53,000
Rating Agency	Moody's Investors Service	\$ 34,000
Rating Agency	Standard & Poor's	\$ 41,000
Paying Agent	Regions Bank	\$ 1,000
		\$179,000
Other Costs (POS, Advertising, etc.)		\$ 12,000
		\$191,000

Increase FY22 Electric Budget

- Board adopted \$596M electric budget in May 2021
- Additional expenses related to fiber network and loan to Fiber Division deferred pending decision on broadband
- Proposed increase of \$43M
- Amended electric budget \$639M

Cost	Amount (\$)
Fiber backbone	\$14.6M
Smart switches	\$ 4.3M
Fiber maintenance	\$ 2.3M
Fiber services	\$ 1.2M
Loan to Fiber Division	\$10.0M
Contingency reserve contribution	\$ 6.8M
All other	\$ 3.9M
Total	\$43.1M

Proposed FY 22 Fiber Division Budget

- Proposed budget of \$6M for FY 22
- Major expenses include labor (new staffing), electronic equipment for broadband, advertising, billing software, and access fees paid to Electric Division
- Future budgets will be higher

Cost	Amount (\$)
Staffing	\$1.3M
Electronics (capital)	\$0.9M
Access fees to Electric	\$0.5M
Advertising	\$0.4M
Billing software	\$0.4M
Interest on loan	\$0.2M
All other	\$2.3M
Total	\$6.0M

Proposed FY 22 Commitment Appropriations for Fiber Division

- Authorizes Fiber Division to execute contracts and enter obligations committing Fiber Division to expenditures beyond FY 22
- \$3M in commitment authority requested
 - Communication system components for broadband
 - Warehouse rental space
 - Vehicles and equipment
 - Billing software

Resolution 1441

- Adopts electric rates reflecting 3% rate increases effective April 2022, April 2023, and April 2024

Resolution 1442

- Authorizes issuance of up to \$55M in electric bonds
- Requires bond issue comply with KUB Debt Management Policy
- Requests City Council approval of electric bonds

Resolution 1443

- Increases FY22 electric budget appropriations by \$43.1M
- Authorizes \$10M loan from Electric Division to Fiber Division
- Appropriations expire June 30, 2022

Resolution 1444

- Adopts FY 22 budget appropriations for Fiber Division
- \$6M total
- Appropriations expire June 30, 2022

Resolution 1445

- Adopts FY 22 commitment appropriations for Fiber Division
- \$3M total
- Covers contracts or obligations of Fiber Division for expenditures made after FY 22
- Appropriations expire June 30, 2022