Background of Ethics Policies

- Pre 2000: City Charter, Resolution 1, general state law
- 2000: Conflict of interest added to By-laws
- 2005: Employee Conflict of Interest Policy and required annual disclosure
- 2006: TN State Ethics Commission established
- 2007: Board adopted Ethics Policy
- 2012: By-laws ethics section updated
- 2013: Annual disclosure requirement adopted
Ethics Policy Components

- Aligns with governing statutes and guidelines
- Certifies compliance with ethical standards
  - Political activity
  - Nepotism
  - Gifts and gratuities
  - Personal and financial interests
  - Improper use of position or authority
  - Improper use of KUB time, facilities, and equipment
- Requires disclosure if a conflict exists
Annual Disclosure Form

- Form included in today’s agenda packet
- Annual disclosure occurs in January
- Return forms before end of January
New This Year: Training Requirement

- Topics: Board governance, financial oversight, policy making and other duties
- 12 hours within first year for new Commissioners
- 12 hours over the course of each subsequent three year period
Strategies and Initiatives Focus on Continuous Improvement

Transition to One Company
Process improvements, reengineering, and reorganization

1995

Replacement of IT Systems
IT Roadmap, HRIS, FMS, CIS, OMS

2000

Infrastructure Replacement Strategies
Consent Decree, PACE 10, Century II

2005

Leadership Development
Blueprint, Strategic Initiatives

2010
Strategic Initiatives

- Leadership Development
- Water Plant Resiliency
  - Evaluated plant needs
  - $104M investment in plant improvements
- Workforce Mix
  - Modified KUB and contractor balance
  - Savings of $11M projected in the long range plan (LRP)
  - Enhances expertise and job knowledge
- Grid Modernization
  - $107M for 4-year advanced meter deployment
  - Investment of $1M annually for distribution automation
Teams and Initiatives Support Strategy

- Support corporate culture by following Blueprint
- Create structure for accountability/ownership
- Maintain focus and pace on priorities and strategies
- Ensure continuous improvement
- Encourage collaboration and alignment
- Critical to leadership development
Corporate Initiatives Since 2014

- Grid Modernization Strategy
- Electric System Downtown Network Strategy
- Customer Communication and Engagement
- Damage Prevention
- Environment and Sustainability
- Grid Modernization Deployment
- Operational Efficiencies
- Regulatory Role

- Water Loss
- Finance/Revenue/Growth
  - Electric Reliability
  - Grid Modernization Processes
  - Customer Stewardship
  - Utility Transformation
  - Safety Stewardship
  - Utility Stewardship
Leveraging New Technologies for Electric Reliability

- Determine opportunities to prevent outages
  - Vegetation management
  - Century II improvements
  - Maintenance programs

- Incorporate new technologies
  - Fiber and modernized meters
  - Fault locating devices
  - Remotely controlled reclosers
  - Intelligent switches

- Create strategies and priorities

- Measure and ensure improvement
Grid Modernization Enables New Processes

- Manage new data
- Examine opportunities
- Update and create new processes
- Enhance training
Using Technology to Improve the Customer Experience

- Evolve KUB’s website
- Examine practices impacting customers
- Improve value of customer “touchpoints”
- Simplify processes
- Focus on continuous improvement
Transformation of Utilities
Understanding KUB and Customer Opportunities

- Research technology advancements
- Engage in utility industry dialogue
- Embrace customer options
- Determine opportunities for KUB and customers
Employee Engagement
Driving Safety Improvements

- Examine risks and opportunities
- Create and implement enhanced programs
- Evaluate incidents for improvement opportunities
- Expand employee engagement
Utility Stewardship
Planning and Executing for the Future

- Cross-functional involvement
- Promote collaboration and alignment
- Research new technologies
- Prioritize opportunities
- Oversee key projects and measure results
- Develop each utility’s unique strategy
Plan Today for Tomorrow’s Needs

- Maintain alignment with Blueprint
- Keep awareness of gaps/opportunities
- Continue to look to the future
- Growing leadership
- Sustain a culture for continuous improvement
1993 Storm of the Century

- 18” of snow and high winds
- Major impact to electric system
  - 40,000 customers impacted
  - 8 days to restore
- Unprecedented response
  - 85 crews
  - 400 employees
- Customer impact
  - 50,000 calls in 8 days (Avg. 11,000/year)
  - Difficulty with communications
- Learning opportunity
Incident Command System (ICS)

- Part of the National Incident Management System (NIMS)
- Standardized incident response
  - Roles designated
  - Responsibilities defined
- Integrates into existing organizational structures
- Matches resources with complexity
- Consistency among industries
Benefitting From Structured Response

- McClung Warehouse fire 2007
  - Enabled KUB to support KFD command post
- Alcoa Hwy. sinkhole 2017
  - KUB command post on site
- Severe storms
  - Widespread
  - Localized
- Significant water main breaks
Key Roles of ICS Structure

- Incident Commander
- Public Information Officer
- Operations
- Planning
- Logistics
- Finance
Training and Practice Ensures Readiness

- Training
- Mock exercises
- Continuous Improvement
  - Post-event debriefings
  - Documentation
Improved Response Through ICS

- Organizational focus on incident
- Coordinated use of nontraditional resources
- Timely communication
- Methodical restoration

<table>
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<tr>
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<th>March 1993 Blizzard of '93</th>
<th>April 2011 Hail Storm</th>
<th>June 2011 Storm *</th>
<th>July 2015 Storm</th>
<th>May 2017 Storm</th>
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<tr>
<td>Customers out</td>
<td>40,000+</td>
<td>75,000+</td>
<td>127,000+</td>
<td>56,000+</td>
<td>54,000+</td>
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<tr>
<td>Poles replaced</td>
<td>100</td>
<td>142</td>
<td>151</td>
<td>81</td>
<td>40</td>
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<tr>
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<td>45</td>
<td>91</td>
<td>132</td>
<td>40</td>
<td>19</td>
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<tr>
<td>Customer calls</td>
<td>50,000+</td>
<td>45,000+</td>
<td>220,000+</td>
<td>71,000+</td>
<td>28,000+</td>
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<tr>
<td>Restoration length</td>
<td>8 days</td>
<td>7 days</td>
<td>7 days</td>
<td>3 days</td>
<td>2.5 days</td>
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<tr>
<td>Estimated cost</td>
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<td>$2 million</td>
<td>$4 million</td>
<td>$2.5 million</td>
<td>$1.2 million</td>
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</table>

* June 2011 event includes two separate storms on June 21 and June 23
“How would you rate the reliability of electricity from KUB?”

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<th>Category</th>
<th>Good</th>
<th>Excellent</th>
<th>Total</th>
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<tbody>
<tr>
<td>Residential</td>
<td>40</td>
<td>54</td>
<td>94%</td>
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<tr>
<td>Business</td>
<td>41</td>
<td>55</td>
<td>96%</td>
</tr>
</tbody>
</table>

- **Residential**
  - 40% rated good
  - 54% rated excellent
  - Total: 94%

- **Business**
  - 41% rated good
  - 55% rated excellent
  - Total: 96%

Comments:
- *Carol Nicolls*: Thanks to all the wonderful people that worked through the night to get power back up and running in Kodak area!
- *Rebecca Sardella*: THANK YOU to the lineman who have been working so hard to restore our power.
- *Our power came on about 40 minutes ago!! Thank you to all those working to get it back on!! When I heard the sound of chain saws around 8pm, it was a beautiful sound!!*
- *Thank you very much for your reply and for all the work you all are doing to help us!*

**Likre**: 1 • 3 • 9 hrs
2018 Cold Weather Event

- Dec. 31 – Jan. 10
- Sustained freezing temperatures for 7 days
- During those 7 days
  - Average high: 28
  - Average low: 13
Water System Performs Well Despite Numerous Repairs

- Water System experienced 80 main breaks
  - Over 95 repairs made
- No impact to KUB’s ability to deliver water
- Outages were localized and short in duration
Record-Setting Sales During Cold Weather Event

- Record gas and electric sales
  - 4 top 10 natural gas sales days
  - One electric top 10 sales day
- Gas consumption eclipsed July and August combined
- Interruptible gas option exercised for 3 days
- No performance issues on gas or electric systems
Cold Weather Increases Bills

- Projected increases to customer bills from January 2017
  - Electric: 15% more
  - Gas: 35% more
- Assistance available to help customers manage and pay bills
  - Levelized Billing Plan
  - Energy savings information
  - Financial assistance
    - Project Help
“I wish to express my appreciation for all the assistance during our water line failure and new water meter installation. Doug Vandergriff was so kind and pleasant — a first-rate employee, and the construction crew was great. Everyone I have dealt with at KUB has always been polite and helpful. Thank you for setting a high standard, company-wide, for excellent customer service.”

—Margaret K.

(January 4, 2018)
Project Design and Bid Process Complete
$11.5M Contract Awarded to Blaine Construction

- Competitive bidding process began with pre-qualifying five contractors
- Received four bids ($11.5M–$11.7M)
- Blaine Construction submitted lowest bid
  - 3% below budget estimate
  - Subcontractors include Massey Electric and Del Air Mechanical (plumbing and HVAC)
  - 490 days to complete (April 2019)
- Groundbreaking event to be scheduled
Construction Beginning in February

**Planning**
- February: Complete

**Design**
- May: Concept Design Complete
- November: Construction Design Complete

**Procurement**
- June: Advertised Request for Qualifications
- October: Selected Qualified Contractors
- November: Project Bid
- December: Project Award
- January: Notice to Proceed

**Construction**
- January 2018: Initial Schedule Due
- Groundbreaking Event to be Scheduled

**Completion**
- Estimated 16-18 Month Project
- April - June 2019: Expected Completion