KUB
KNOXVILLE
UTILITIES BOARD

August 20, 2026

Generation Flexibility Program Updates & Resolution 1521

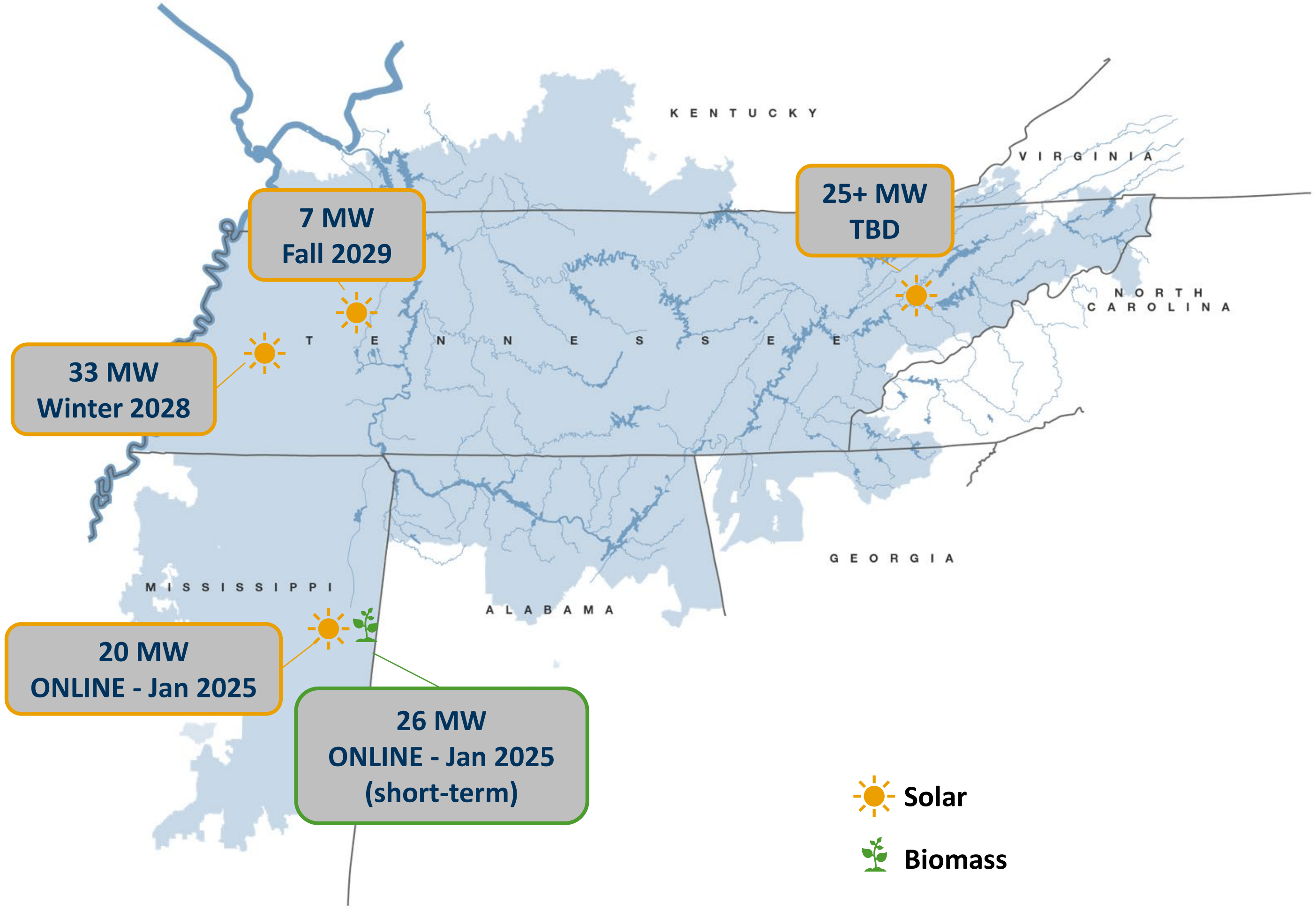
KUB Flexibility Overview

- Authorized by TVA Power Supply Expanded Flexibility Agreement
- Allows KUB to self-supply 5% of electric load
  - Flexibility cap increased from 82 MW solar → 85 MW solar

Program Goals

- Achieve significant power cost savings
- Advance sustainability goals and demonstrate commitment to cleaner environment
- Support community partnerships and local renewable energy investments

KUB Projects Summary



Online

- 20 MW Golden Triangle
- 26 MW biomass (short-term)

Contracted

- 33 MW SR Durhamville
- 7 MW SR Carroll County

Pending

- 25+ MW local solar – exploring options in KUB service area

Projected Totals

- 85+ MW solar

As of August 2026

Impacts to Date

$4.7M

Energy Cost Savings

222,000 MWh

Clean Energy Generated

3%

Emissions Reduction

Metrics since January 2025

Photo features Golden Triangle I Solar + Storage site

Exploring Local Opportunities

- Local large scale project strategy
  - Board approved 21 MW solar project in June 2025
  - Site host withdrew; assessing alternative site
  - Financial viability will be a key factor
- Evaluating End Use Customer (EUC) Program
  - Alternative to TVA's existing excess buy-back program

SR Durhamville: 33 MW Solar Project Updates

- Board approved 33 MW solar project in November 2024
- Partnership with EPB Chattanooga; Silicon Ranch project in western Tennessee; expected completion December 2028
- Estimated net annual KUB savings = $1.5 million

Contract Amendments

- Price and date recalibration to reflect market impacts
- Development phase protections
- 10-year extension option to secure long-term options
- Supply guarantee increase to maximize savings

Resolution 1521

- Authorizes execution of amendment to Letter of Intent and Power Purchase Agreement with SR Durhamville to purchase 33 MW of solar energy
- Allows for non-substantive changes to amendments as approved by the President and CEO

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FY26 Organizational Performance

FY26 Organizational Performance

- 11,903 new KUB Fiber customers (34,319 total)
- Fiber system more than 75 percent complete
- Over 9 million outage minutes prevented through smart switches
- MBW filters project complete
- Century II programs on track
- Employees served 5,300+ volunteer hours in 2025 (a new record!)
- New SCADA system launched
- Systems financially sound

FY26 Financial Performance

- Positive earnings
- All divisions under budget appropriations
- O&M $30 million under budget (~half due to CIS/IT timing)
- Capital $13 million under budget
- Electric, fiber, and wastewater sales margins exceeded budget
- Gas and water sales margins below budget
- $12 million in grant and FEMA reimbursements
- $3.2 million in power cost flexibility savings
- Total debt level remained stable

FY26 Budget Expenditure Variance

	Electric	Gas	Water	Wastewater	Fiber	Total
Purchased Energy / COGS	($31,174)	$11,989	---	---	$625	($18,560)
O&M	13,606	5,155	2,024	7,253	2,485	30,523
Capital	13,221	1,241	(142)	(1,714)	686	13,292
Debt Service	1,232	---	344	---	411	1,987
Taxes & Equivalents	(11)	1,794	1,160	26	45	3,014
Loan to Fiber Division	6,000	---	---	---	---	6,000
Budget Variance	$2,874	$20,179	$3,386	$5,565	$4,252	$36,256

$ in 000's ( ) = Over Budget

FY26 Budget Revenue Variance

	Electric	Gas	Water	Wastewater	Fiber	Total
Sales Revenue	$37,492	($14,176)	($255)	$500	$1,004	$24,565
Other Revenue	6,708	850	4,112	1,111	453	13,234
Increase (Decrease)	$44,200	($13,326)	$3,857	$1,611	$1,457	$37,799

$ in 000's ( ) = Under Budget

FY26 Budget Cash Impact

	Electric	Gas	Water	Wastewater	Fiber	Total
Budget Revenues	$44,200	($13,326)	$3,857	$1,611	$1,457	$37,799
Budget Expenses	2,874	20,179	3,386	5,565	4,252	36,256
Increase (Decrease)	$47,074	$6,853	$7,243	$7,176	$5,709	$74,055
Bond/Loan Proceeds	(9,404)	---	263	---	(6,000)	(15,141)
Increase (Decrease) Budget	$37,670	$6,853	$7,506	$7,176	($291)	$58,914

$ in 000’s

FY26 Long Range Plan Cash Impact

	Electric	Gas	Water	Wastewater	Fiber	Total
Budget Revenues	$44,200	($13,326)	$3,857	$1,611	$1,457	$37,799
Budget Expenses	2,874	20,179	3,386	5,565	4,252	36,256
Increase (Decrease)	$47,074	$6,853	$7,243	$7,176	$5,709	$74,055
Bond/Loan Proceeds	(9,404)	---	263	---	(6,000)	(15,141)
Increase (Decrease) Budget	$37,670	$6,853	$7,506	$7,176	($291)	$58,914
Increase (Decrease) LRP	$19,552	($4,725)	$2,553	$5,273	$2,653	$25,307

$ in 000's

FY26 Debt Position

System	Outstanding Bonds	Interest on Bonds	S&P Ratings	Moody's Ratings	Debt Coverage vs. Target
Electric	$493.6M	$286.8M	AA- / Stable	Aa2 / Stable	4.53 > 3.00
Natural Gas	58.2M	14.3M	AA+ / Stable	Aa2 / Stable	5.05 > 3.00
Water	217.7M	96.9M	AAA / Stable	Aa1 / Stable	2.46 > 2.00
Wastewater	423.2M	185.4M	AAA / Stable	Aa2 / Stable	2.29 > 1.75
Total	$1,192.7M	$583.4M			

FY26 Financial Metrics Performance

Metric	Target	Electric	Gas	Water	Wastewater	Fiber
O&M	Budget or Less	✓	✓	✓	✓	✓
Cash Generated from Operations	Budget or Greater	✓	✓	✓	✓	✓
Debt Service Coverage	Financial Plan Target or Greater	✓	✓	✓	✓	---

FY26 Organizational Metrics Performance

Metric	Metric Components				
Safety	✓				
Electric Reliability	✓	✓			
Century II	✓	✓	✓	✓	✓
Call Center Performance	X				
Fiber Service	✓	X			

Safety Performance

FY	Serious, Preventable Incidents	Goal
2026	**0**	0
2025	0	0
2024	0	0
2023	0	1
2022	2	1
2021	0	2

Electric Reliability

FY	Avg Hours w/out Power	Goal Duration (Hours)	Avg Occurrence w/out Power	Goal Frequency (Events)
2026	**1.56**	1.85	**1.07**	1.40
2025	1.74	1.95	1.15	1.40
2024	2.00	2.00	1.58	1.45
2023	1.93	2.00	1.33	1.45
2022	1.89	2.05	1.45	1.45
2021	1.83	2.10	1.24	1.50

Century II Performance

System	Asset	Goal	Result
Electric	Underground Cable	**5 Miles**	**5 Miles**
Electric	Transmission Lines	**8 Miles**	**8.6 Miles**
Natural Gas	Low-Pressure Steel Main Replacement	**4 Miles**	**4.1 Miles**
Water	Main Replacement	**9.3 Miles**	**9.3 Miles**
Wastewater	Main Replacement	**11.2 Miles**	**11.8 Miles**

Utility Call Center Service Performance

FY	Target	Result	Response Time Standard
2023	60%	44%	90 sec
2024	70%	89%	90 sec
2025	80%	89%	90 sec
2026	**85%**	**80%**	**60 sec**

*FY26 performance was measured against a higher service standard (60 seconds vs. 90 seconds in FY23-25).

- FY27 Improvement Initiatives
  - Restore staffing by filling vacancies and adding five Customer Service Representatives
  - Increase capacity with part-time staffing during peak call periods
  - Improve efficiency by deploying automated self-service reconnections to reduce call volume

Fiber Service

Program	Goal	Result
Residential Customer Additions	10,560	**11,136**
Fiber System Miles Constructed	700	**550**

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TVA Rate Change Overview

TVA Rate Actions Impact KUB Rates

- TVA introduced rate proposals in February 2026
- Rate changes designed to protect customers from infrastructure costs associated with serving large energy intensive loads
- Focus of final TVA rate change proposal:
    - New rates for data centers
    - Redefining manufacturing service rate applicability
    - Contract demand alignment
    - TVA Board approval for loads $\geq$ 100MW
- Effective October 1 (if approved by TVA Board on August 20)
- New/amended KUB electric rate schedules needed

New Rates for Data Centers

- New rate class for data centers
- Higher rates will be phased in over three years
  - No change in year one (same as manufacturing service rates)
  - 5% increase in year two
  - 5% increase in year three
- Data center rate schedules include a Capacity Commitment Charge
  - Non-refundable charge paid to TVA reflecting TVA's incremental cost of providing generation/transmission capacity to data centers

Redefining Manufacturing Service Applicability

- With new data center rates established, separate action differentiates data centers from traditional manufacturing customers
- Industry classification codes for data centers will be removed from availability provision for manufacturing service rate schedules

Contract Demand Alignment

- Designed to align customer contract demand usage with appropriate rate class and improve TVA system planning
- Customer must have used 75% of contract demand within a 36 consecutive month lookback period
- If not, customer's contract demand and rate class subject to change
- First TVA lookback will be in October 2027
- Anticipate small number of KUB largest customers impacted

KUB Board Action on Electric Rates

- Adopt new rate schedules for data centers
- Amend general and manufacturing service rate schedules
- Amend Purchased Power Adjustment (PPA) to account for new rate schedules for data centers
- First reading on KUB rate changes in September
- Second reading in October
- Effective November 1

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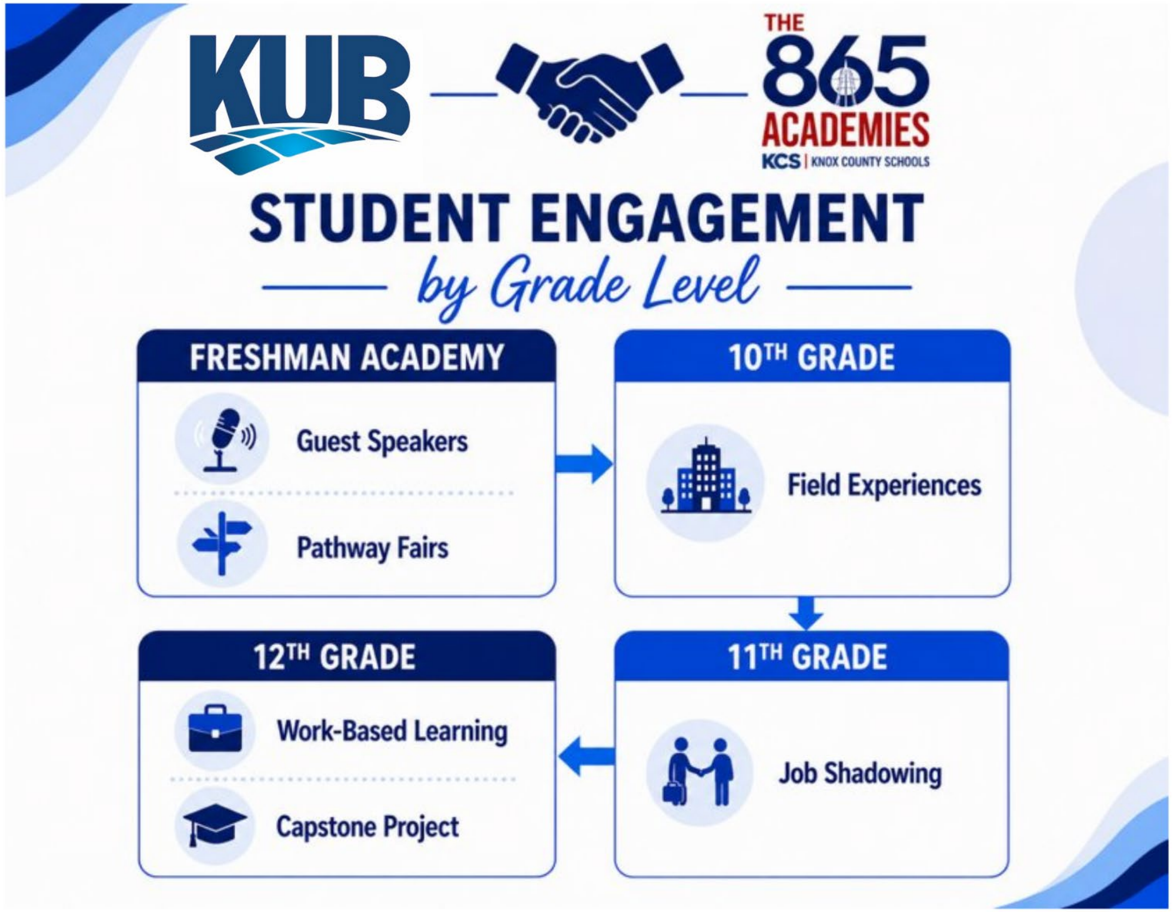
High School Student Engagement

KCS 865 Academies Partnership Creates Student Touchpoints Throughout High School



KUB TeenWork Celebrated 30 Years of Impact

- Alumni, current employees, and executive staff members gathered in October 2025 to celebrate
- Joined by a special guest, daughter of former KUB Commissioner Clifford Ross, who encouraged KUB to establish TeenWork in 1995

30th ANNIVERSARY | KUB TEENWORK

30 YEARS OF IMPACT

642
High school juniors have completed TeenWork

14
Participants are now full-time KUB employees

3
Participants are now KUB part-time post-secondary Student employees

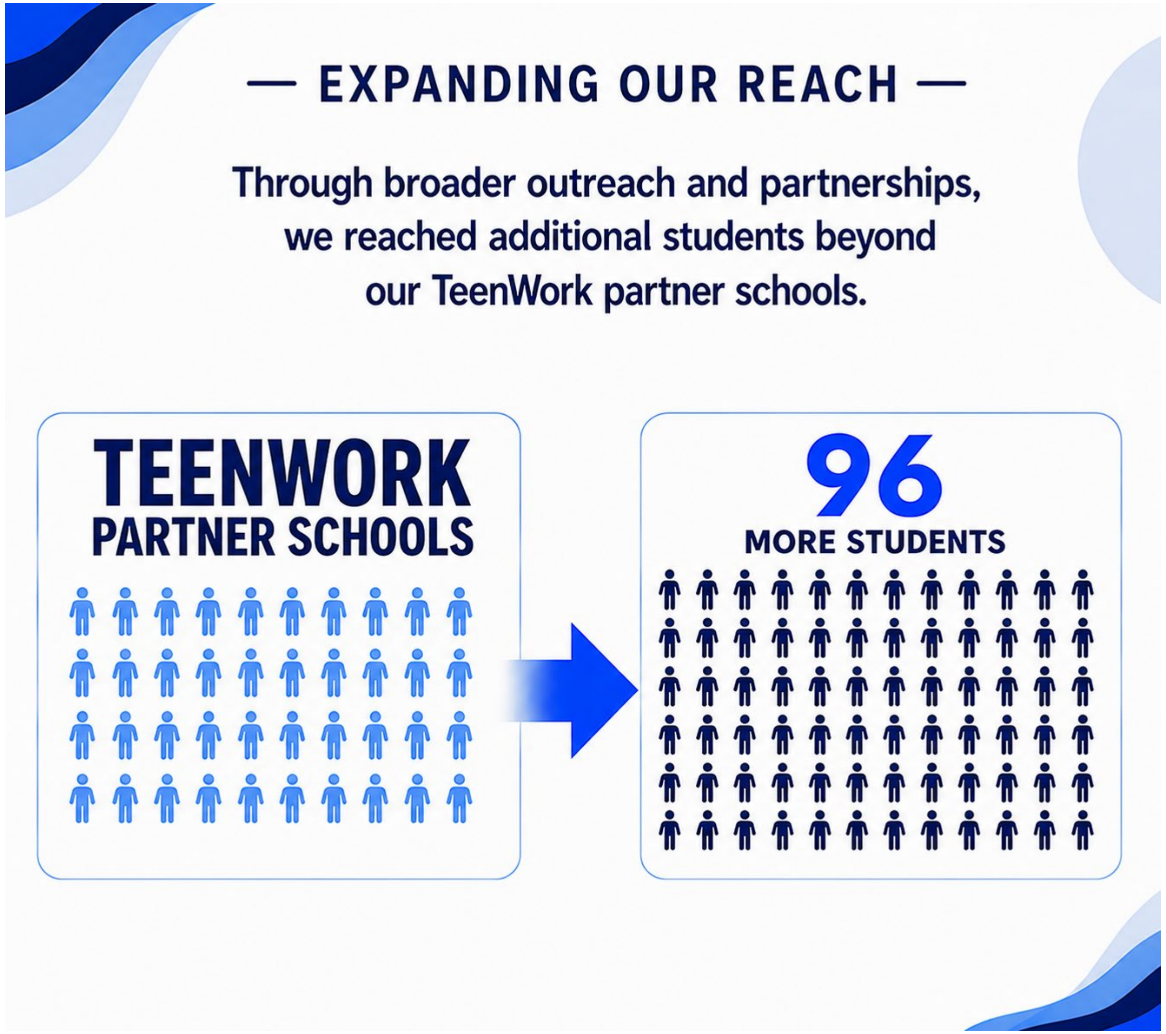
TeenWork Class of 2026 by the Numbers

- **5** TeenWork partner schools: Austin-East, Central, Fulton, South-Doyle, and West
- **97** applications received
- **54** students accepted
- **43** students placed for summer 2026 employment

Growing Partnerships & Celebrating Graduates

- Nine business partners (four new in 2026)
  - First Utility District
  - West Knox Utility District
  - Knoxville Chamber
  - Covenant Health
  - Zoo Knoxville
  - UT Medical Center (new)
  - Wesley House Community Center (new)
  - KD Style Studio (new)
  - East TN PBS (new)
- TeenWork Class of 2025 graduates proudly wore KUB stole - celebrating their achievement and connection to KUB while building program awareness

Expanding Early Career Exposure Beyond TeenWork



Webb School OF KNOXVILLE

DEDICATED TO EXCELLENCE
HALLS HIGH SCHOOL

THE UNIVERSITY OF TENNESSEE KNOXVILLE

Tickle College of Engineering

HITES12

For rising 12th graders

Established in 2001, the High School Introduction to Engineering Systems for Twelfth Graders (HITES12) program identifies and selects rising twelfth grade students who demonstrate an interest in engineering and offers them the opportunity to explore UT and engineering.

TCAT KNOXVILLE

centro hispano DE EAST TENNESSEE

Additional partnerships create opportunities for students to explore KUB, utility careers and the broader industry

Building on TeenWork's Impact

- Evolve to a two-track curriculum with balanced emphasis on college and trade/technical pathways
- Strengthen alumni engagement by increasing participation in workshops and other activities
- Expand to additional KCS schools and grow business partnerships

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