



May 21, 2026

# FY26 Appropriations Amendment, FY27 Appropriations, & Funding Recommendations

Resolutions 1515, 1516, 1517, 1518



# Proposed FY26 Budget Amendment

- Initial budgets approved by Board in May 2025
- Electric Division forecast \$11.3M over budget
- Driven by impact of TVA fuel cost adjustments on purchased power cost
- Additional appropriations needed for Electric
- Discussed with Audit and Finance Committee

	<b>Electric</b>
FY26 Budget	\$813.3M
Additional Appropriations	\$ 16.0M
FY26 Budget - Amended	\$829.3M

# Proposed FY27 Budget Continues Fiber Deployment & Century II Funding

- Proposed budget \$1.3B
- Up \$45M – reflecting growth, CIS project, increased PILOTs, and inflationary pressures
- Capital budget \$290M
  - \$155M for Century II
  - \$56M for fiber network and services
- \$45M of new bonds help fund capital budget
- No change in previously approved rate increases

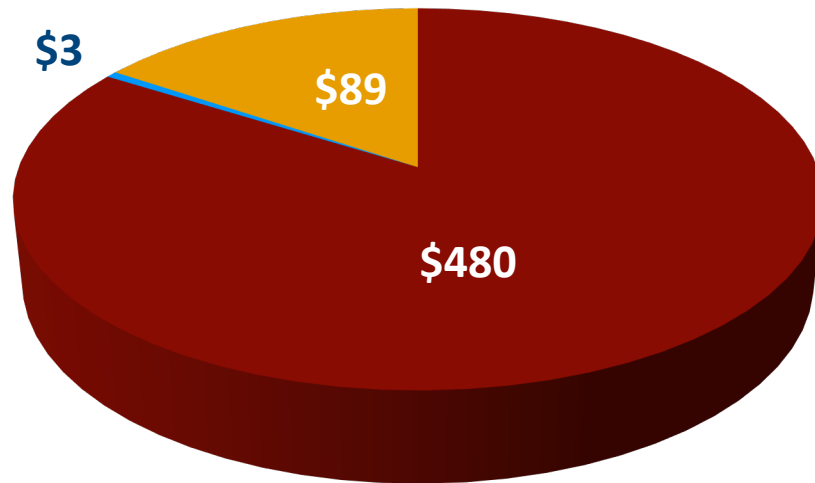
# Proposed FY27 Budget: \$1.3 Billion

	<b>Electric</b>	<b>Gas</b>	<b>Water</b>	<b>Wastewater</b>	<b>Fiber</b>	<b>Total</b>
<b>Energy Cost</b>	\$480.5	\$ 88.6	\$ ---	\$ ---	\$ 3.2*	\$572.3
<b>O&amp;M</b>	\$111.0	\$ 32.0	\$ 44.6	\$ 54.5	\$ 35.3	\$277.4
<b>Capital</b>	\$164.4	\$ 30.1	\$ 42.6	\$ 51.8	\$ 1.3	\$290.2
<b>Debt Service</b>	\$ 40.3	\$ 12.1	\$ 18.0	\$ 32.6	\$ 3.8	\$106.8
<b>Taxes and Equivalents</b>	\$ 29.7	\$ 9.1	\$ 6.0	\$ 7.8	\$ 0.5	\$ 53.1
<b>Loan to Fiber</b>	\$ 2.0					\$ 2.0
<b>\$ in Millions</b>	<b>\$827.9</b>	<b>\$171.9</b>	<b>\$111.2</b>	<b>\$146.7</b>	<b>\$ 44.1</b>	<b>\$1,301.8</b>

\* Fiber Cost of Goods Sold

# Wholesale Energy Budget Driven by Customer Demand

**FY27 Wholesale Energy/COGS = \$572M**

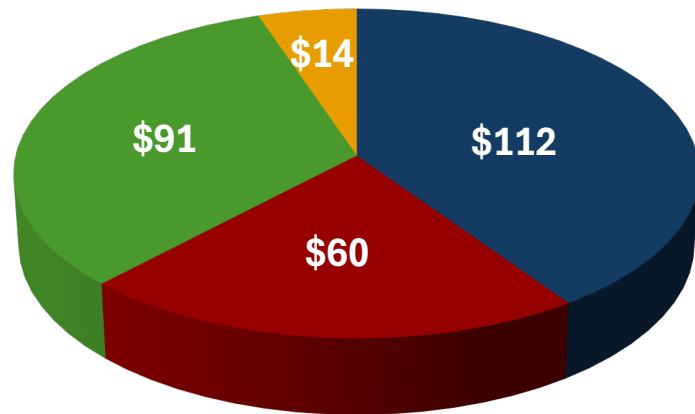


- Electric power = 84%
- Fiber COGS = 1%
- Natural gas = 15%

- Electric power
  - 5.7 billion kWh
  - 229,000 electric customers
- Natural gas
  - 13.0 million Dth
  - 113,000 natural gas customers
- Fiber cost of goods sold (COGS)
  - \$0.3M telephone costs
  - \$2.9M television costs

# O&M Budget Supports System Reliability

**FY27 O&M = \$277M**

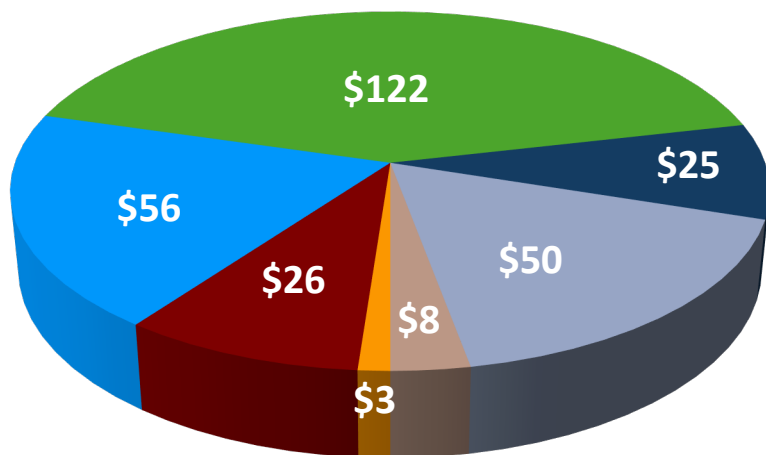


- Labor-related = 40%
- Outside services = 22%
- Materials/other = 33%
- Fiber fees to EL = 5%

- Labor-related costs
  - Payroll \$85M
  - Benefits and training \$17M
  - Post-employment benefits \$10M
- Outside services
  - Vegetation management \$16M
  - Electric line contractors \$4M
- Materials/Other costs
  - CIS project \$15M
  - Utilities \$13M
  - Stock materials \$9M
- Fiber fees
  - Access fee \$9.5M
  - Utilization fee \$4.8M

# Capital Budget Funds Century II, Fiber Deployment, & Plant Projects

**FY27 Capital = \$290M**

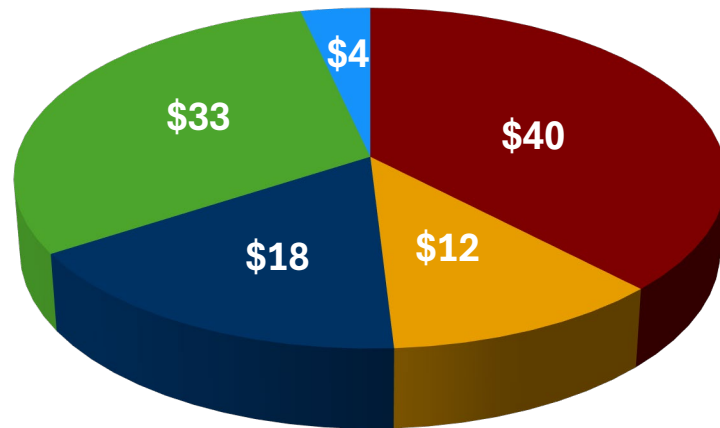


- Information technology = 1%
- Facilities/equipment = 9%
- System infrastructure = 90%
- Fiber network/services = 19%
- System improve/replace = 42%
- Plant improvements = 9%
- Growth = 17%
- Relocations = 3%

- Distribution system improvements \$180M
  - Electric substation upgrades \$24M
  - Wastewater main replacements \$17M
  - Water main replacements \$15M
  - Electric distribution line improvements \$13M
  - Electric transmission line improvements \$11M
  - Natural gas meter replacements \$10M
  - Pole replacements \$9M
  - Utility relocation projects \$8M
  - Natural gas steel main replacements \$6M
- Fiber network and services \$56M
- Plant improvements \$25M
  - Water Supply Master Plan \$12M
  - Kuwahee Treatment Plant improvements \$9M

# Debt Budget Reflects Investments in Infrastructure

**FY27 Debt Service = \$107M**

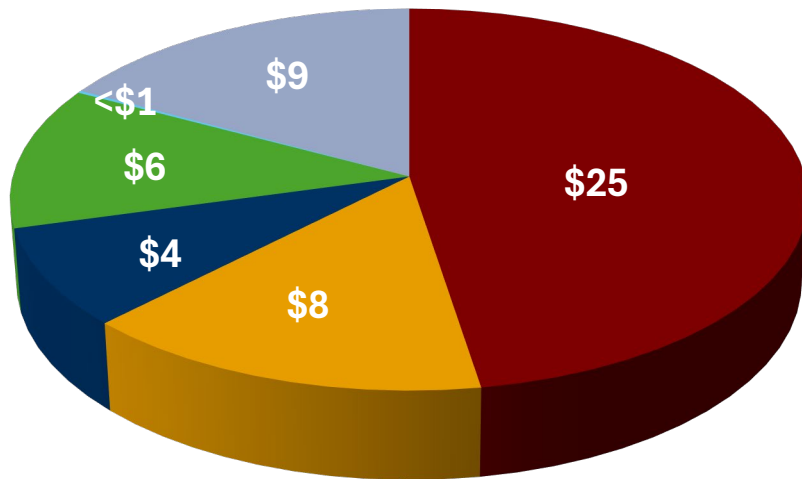


- Electric = 38%
- Natural Gas = 11%
- Water = 17%
- Wastewater = 30%
- Fiber = 4%

- FY27 principal: \$58M
- FY27 interest: \$49M
- New bonds: \$45M
  - Electric: \$14M
  - Water: \$19M
  - Wastewater: \$12M
- Outstanding bonds \$1.2B
- Includes \$3.8M in payments from Fiber to Electric

# KUB Payments In Lieu of Taxes (PILOTs) Support Local Governments

FY27 Taxes and PILOTs = \$53M

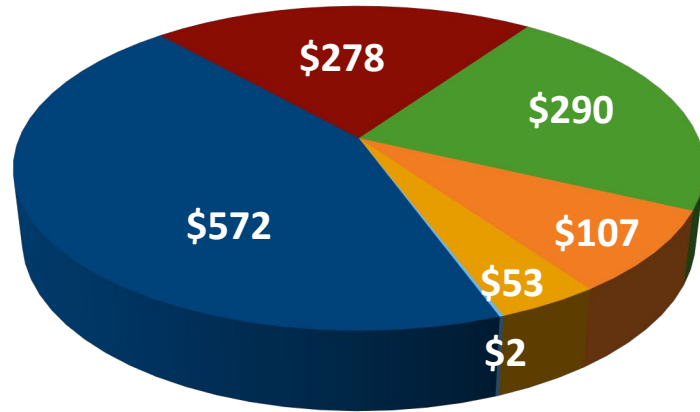


- Electric = 47%
- Natural Gas = 15%
- Water = 8%
- Wastewater = 12%
- Fiber = <1%
- FICA = 17%

- PILOTs \$44M
  - City \$31M
  - Knox County \$11M
  - Other counties \$2M
- Payroll tax expense \$9M

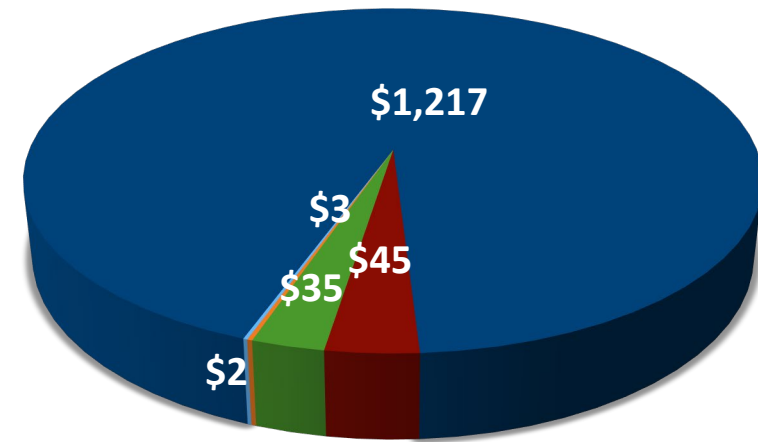
# Funding FY27 Budget

## Budget = \$1.3B



- Wholesale energy = 44%
- O&M = 21%
- Capital = 22%
- Debt service = 8%
- Taxes and equivalents = 4%
- Loan to Fiber = < 1%

## Funding = \$1.3B



- System revenues = 93%
- Bonds = 4%
- Cash on hand = 3%
- Grants = < 1%
- Loan to Fiber = < 1%

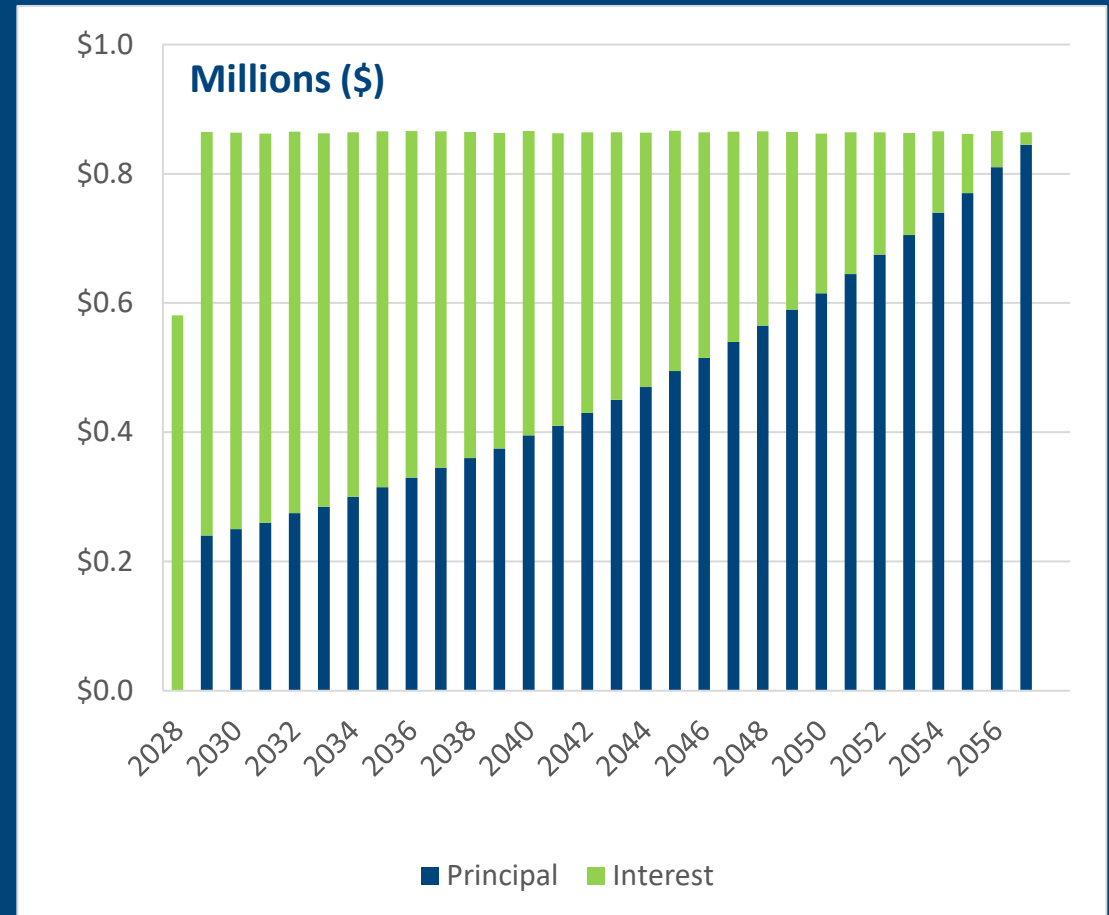
# Proposed Sale of \$45M in New Bonds

- Electric \$14M
- Water \$19M
- Wastewater \$12M
- Bonds will mature over 30 years
- Budgeted interest rate 4.25%
- Bonds callable beginning 2035
- Secured solely by issuing system revenues
- Public competitive sale this winter

# Proposed New Electric Bonds - \$14M

- Projected interest cost: \$12M
- Fully mature July 2057
- FY27 year-end debt service: \$768M
  - Bonds \$489M
  - Interest \$279M
- \$344M of total debt service paid over next 10 years (\$170M bonds)

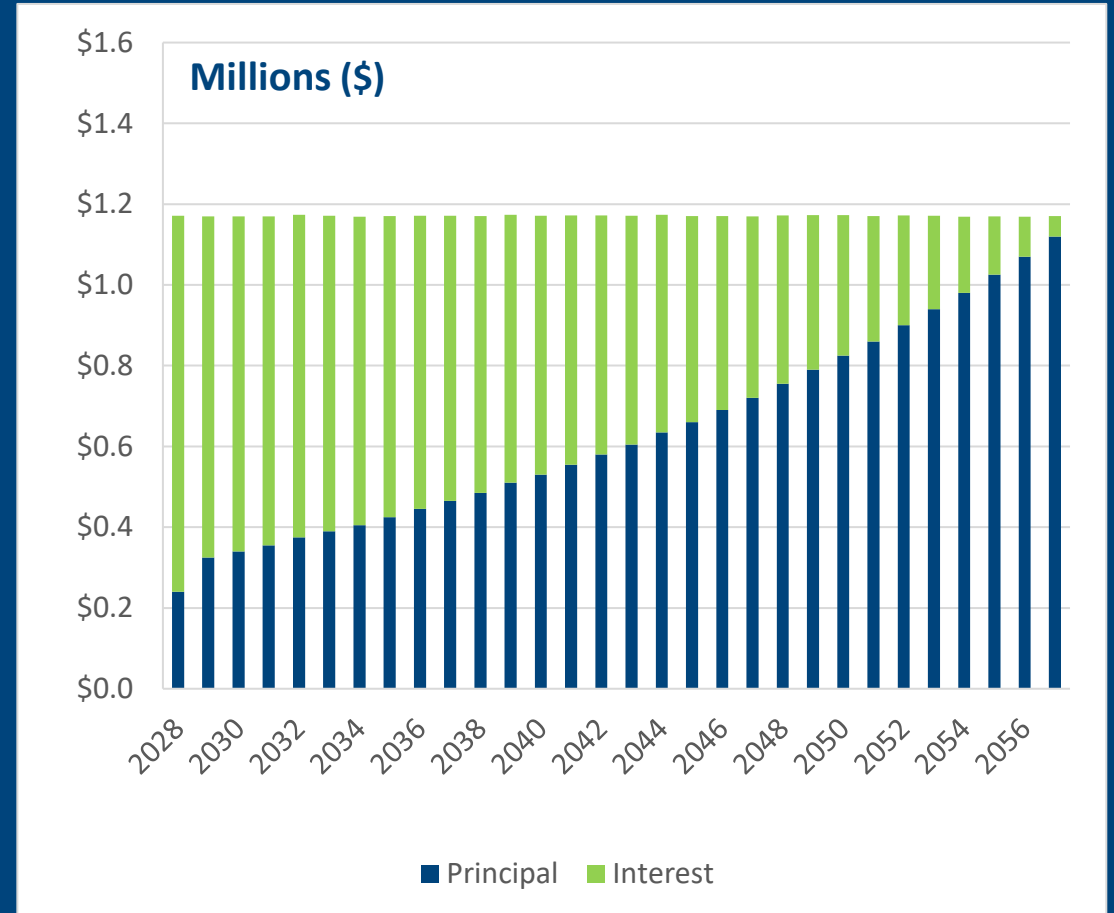
Proposed Debt Service on \$14M New Bonds



# Proposed New Water Bonds - \$19M

- Projected interest cost: \$16M
- Fully mature March 2057
- FY27 year-end debt service: \$332M
  - Bonds \$227M
  - Interest \$105M
- \$172M of total debt service paid over next 10 years (\$102M bonds)

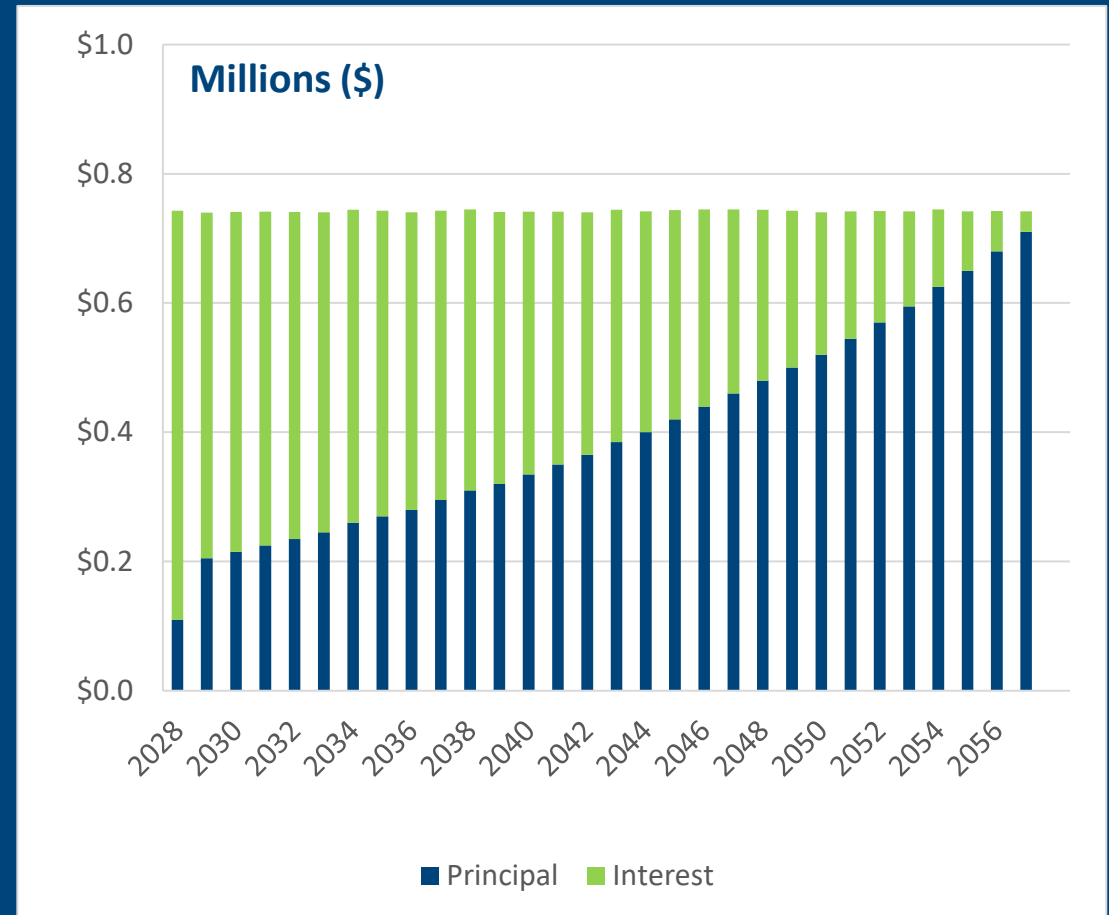
Proposed Debt Service on \$19M New Bonds



# Proposed New Wastewater Bonds - \$12M

- Projected interest cost: \$10M
- Fully mature April 2057
- FY27 year-end debt service: \$598M
  - Bonds \$420M
  - Interest \$178M
- \$324M of total debt service paid over next 10 years (\$189M bonds)

Proposed Debt Service on \$12M New Bonds



# Estimated Professional Fees for Bonds

<b>Cost</b>	<b>Professional Firm</b>	<b>\$ Amount</b>
Financial Advisor	Cumberland Securities	\$ 83,000
Bond Counsel	Bass Berry & Sims	\$ 59,000
Rating Agencies	Moody's/Standard & Poor's	\$ 157,000
Paying Agent	Regions Bank	\$ 5,000
		\$304,000
Other Costs (POS, Advertising, etc.)		\$ 40,000
		\$344,000

# FY27 Commitment Appropriations

- Authorizes commitment of expenditures subsequent to June 30, 2027, for commitments entered into on or before June 30, 2027
- FY27 total: \$196.2M
  - Electric \$65.8M
  - Natural Gas \$19.9M
  - Water \$48.9M
  - Wastewater \$55.9M
  - Fiber \$5.7M

# Projects Supporting Need for Commitment Appropriations

- Electric substation improvements
- MBW water supply master plan projects
- Cast iron main replacements
- Gas distribution steel main replacements
- Wastewater system main replacements and plant improvements
- Utility relocations for highway improvements
- Properties upgrades
- Vehicles and equipment
- Information technology

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# Resolution 1515

- Increases FY26 electric budget appropriations by \$16M
- Appropriations expire June 30, 2026

# Resolution 1516

- Requests City Council authorization of new bonds
  - Electric up to \$14M
  - Water up to \$19M
  - Wastewater up to \$12M
- In compliance with KUB Debt Management Policy
- Board adopts all provisions of City Council bond resolutions

# Resolution 1517

- Adopts FY27 budget appropriations
  - Electric \$827.9M
  - Natural Gas \$171.9M
  - Water \$111.2M
  - Wastewater \$146.7M
  - Fiber \$ 44.1M

# Resolution 1518

- Adopts FY27 commitment appropriations
  - Electric \$65.8M
  - Natural Gas \$19.9M
  - Water \$48.9M
  - Wastewater \$55.9M
  - Fiber \$ 5.7M

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May 21, 2026

# FY27 Financial & Organizational Metrics



# FY27 Metrics

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The Audit and Finance Committee reviews and measures financial and organizational performance.

Each year, the Audit and Finance Committee reviews proposed metrics and establishes financial and organizational metrics for the upcoming year.

FY27 metrics established via Resolution AF-100

# FY27 Financial Metrics

<b>Metric</b>	<b>Target</b>
<b>O&amp;M</b>	Budget or Less
<b>Cash Generated from Operations</b>	Budget or Greater
<b>Debt Service Coverage</b>	Financial Plan Target or Greater

# FY27 Organizational Metrics

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- Safety
- Electric reliability
- Century II infrastructure replacement
- Call Center service level performance
- Fiber service

# Safety Performance

FY	Serious, Preventable Injuries	Goal
2023	0	1
2024	0	0
2025	0	0
2026	0*	0
2027	0	0

\* Through April

# Electric Reliability

FY	Average Hours without Power	Target Goal Duration (Hours)	Average Occurrence without Power	Target Goal Frequency (Events)
2022	1.89	2.05	1.45	1.45
2023	1.93	2.00	1.33	1.45
2024	2.00	2.00	1.58	1.45
2025	1.74	1.95	1.15	1.40
2026	1.12*	1.85	0.76*	1.40
2027		1.75		1.35

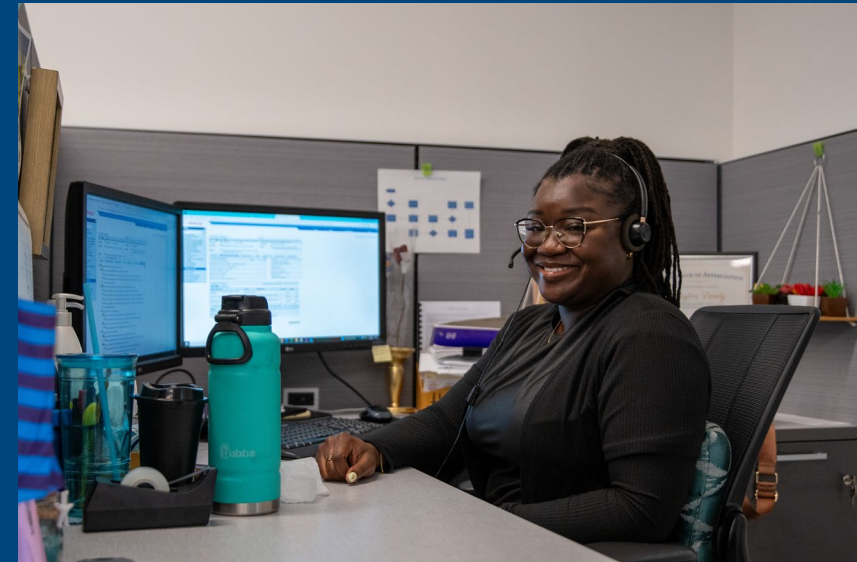
\* Through April

# Century II Replacements

System	Asset	Proposed Plan
Electric	Line replacement	19.8 miles
Electric	FLISR customer coverage	64% covered
Natural Gas	Sonix meter installations	10,200 meters
Water	Main replacement	6.8 miles
Wastewater	Main replacement	6.4 miles

# Call Center Service Level Performance

85% of calls answered in 60 seconds





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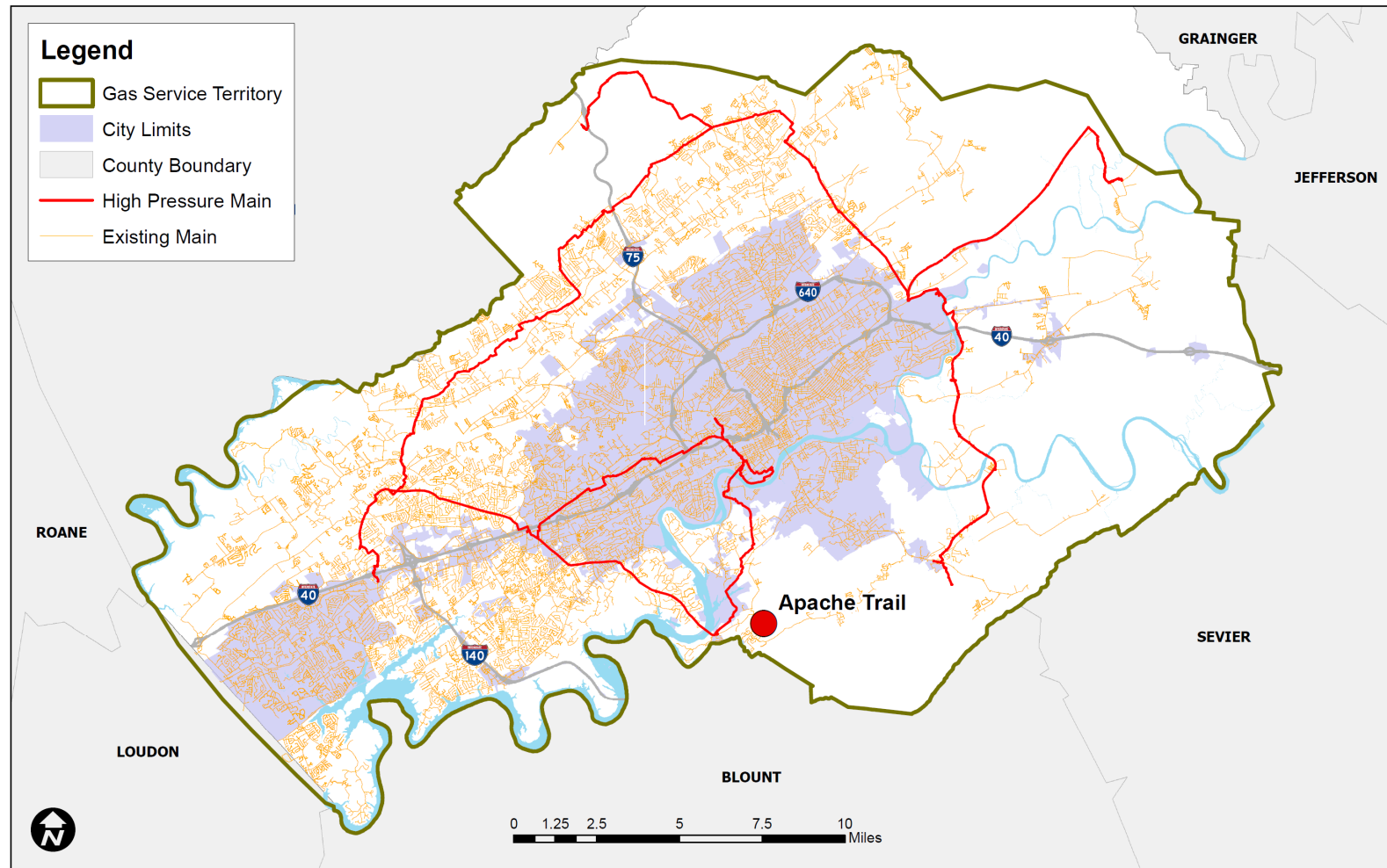
May 21, 2026

# Apache Trail Update



# Apache Trail Overview

- Knox Chapman water main fails, damaging KUB gas main
- Water enters KUB gas lines
- Event duration
  - Wednesday, February 4; 5:31 a.m.
  - Thursday, February 5; 5:30 p.m.
  - 36-hour duration
- Collaborative effort
  - Incident Command Structure
  - Field Incident Commander
  - Staging near subdivision



# Wednesday, February 4 (Morning)

- 5:31 a.m. – First “no gas” call
- 6-8 a.m. – Utility Response Technician (URT) and gas leak truck respond and assess
- 8:24 a.m. – Driveway collapses under SUV
  - Underground Construction (UGC) isolates the compromised KUB gas main
  - Four gas customers out of service
- 9 a.m.-12 p.m.
  - Customer communications initiated
  - Vehicle safely removed from ditch
  - Knox Chapman repairs its cast iron main
  - URTs discover more water in surrounding gas lines
  - “No gas” calls broaden

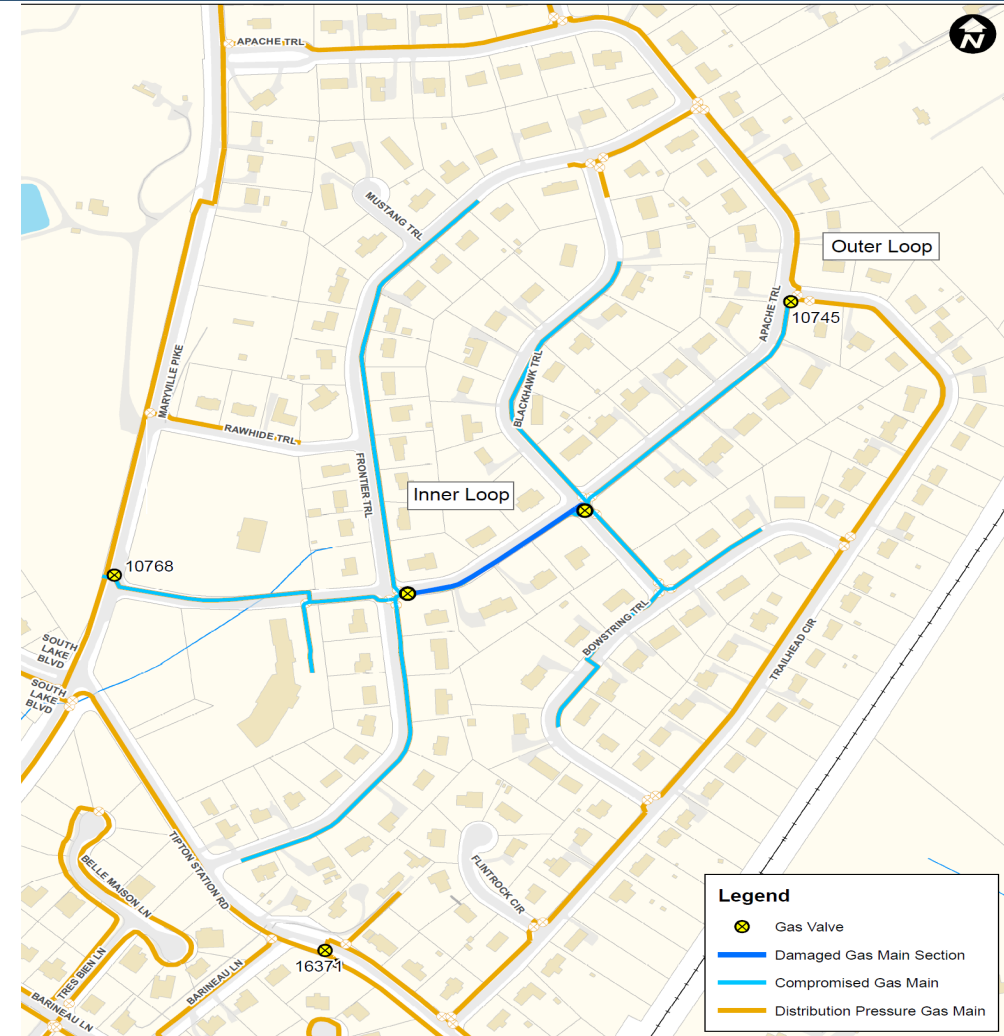


# How Did It Happen?



# Wednesday, February 4 (Afternoon)

- 1:45 p.m. – Operational call
  - UGC, Engineering, Safety, System Operations, Communications, Customer Support, Meters, and others involved
  - URTs and meter technicians checking meters on outer loop
  - Customer communication continues
- 4-7 p.m. – “Pigging operations” (cleaning)
  - UGC crews begin pigging affected mains
  - Requires excavation and cutting the pipe
- Resources:
  - Eight natural gas crews
  - Multiple URTs
  - Meter technicians



# Wednesday, February 4 (Evening)

- 7 p.m. – Operational update
  - Impacted area isolated
  - 54 customers affected – communication continues
  - Goals for overnight operational period:
    - Complete pigging operations and restore gas to main lines
    - Purge gas services
    - Exchange gas meters
    - Relight customers appliances
- Resources:
  - Until 10 p.m.:
    - Multiple natural gas crews and personnel
  - Overnight:
    - Three natural gas crews
    - Two URTs
    - Other support personnel



# Thursday, February 5 (Morning)

- 6 a.m. – Operational update
  - All pigging operations complete
  - Excavated 22+ locations – repairs made
  - Natural gas restored – some relights
  - Strike teams staged early for remaining relights
- Challenges:
  - Clearly identifying the scope
  - Freezing temperatures/Ice/Night/Access to homes
- Resources:
  - Seven natural gas crews
  - Three URTs
  - Eight meter technicians
  - Plumbing contractor onsite checking internal fuel lines



# Wrapping Things Up



# Questions?

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