



Minutes for November 4, 2021

Members attending the meeting:

Christina Bouler, Mark Campen, Tiki Dixon, Erin Gill, Tim Hill, Barbara Kelly, Terry Ledford, Amy Midis, Kent Minault, David Myers, Vivian Shipe, Stephen Smith

Others in attendance:

Facilitator: Dr. Bill Lyons

KUB Staff: Gabriel Bolas, Mike Bolin, Jamie Davis, Susan Edwards, Derwin Hagood, Tiffany Martin, Sherri Ottinger, Mark Walker, John Williams

KUB Board members: Jerry Askew

Old Business

None

New Business

The Community Advisory Panel met at 6:00 p.m. on November 4, 2021 at KUB's Mintha Roach Corporate Services and Training Center.

Dr. Lyons welcomed the panel members and asked if anyone had corrections to the meeting minutes from last month's meeting. There were no corrections.

Dr. Lyons explained the agenda for this meeting was to continue discussion about KUB rates, as the panel requested.

Dr. Lyons recognized Mike Bolin, KUB Vice President of Utility Advancement, to begin the discussion about rates. Mike started by providing a brief overview of what was covered in the last meeting, and he recognized several panel members who have knowledge and expertise related to rates.

Mike shared information about KUB's long-range financial planning process, and the strategy to balance finances with rates, debt, customer growth, and cost management and to share costs of the utility assets with current customers and future generations because the assets last for 50 to 100 years. Mike explained that KUB is not-for-profit.

Mike discussed use of debt to help manage KUB's operations costs. Stephen Smith asked about the projected fiber uptake by customers and how that may affect the financial plan and rates. Mark Walker, KUB Chief Financial Officer, explained how the projections for

fiber are included in the financial plan and will be adjusted if fiber uptake by customers is stronger than projected.

Dr. Smith questioned the amount of cash reserve KUB is permitted to have under TVA regulations. Mike noted that while it's possible TVA may step in as a regulator if KUB had too much in the general fund, the reality is that KUB's Board would act long before TVA would need to step in if the general fund was not reasonable. He and Mark explained how KUB's financial plan is adjusted if there are unforeseen increases in revenue or expenses, such as through an economic recession or a large storm event, and the same will be true if revenue from fiber is higher than expected.

Dr. Smith asked how the financial plan may change based on potential funds that may be available through the federal infrastructure bill, and he asked if KUB is monitoring it. Mark explained that KUB established a planning team that meets every two weeks to monitor the infrastructure bill to ensure KUB will be ready to apply for funding that could be used to benefit KUB ratepayers.

Erin Gill asked about KUB's overall level of debt, and there was discussion about this and how it increased significantly due to wastewater investments KUB was required to make with the EPA Consent Decree, and how KUB has worked to lower the level of debt over the past several years. Mike explained how KUB manages the level of debt and the significance of debt ratings and why KUB must keep the debt level to a reasonable amount in order to qualify for good interest rates. Mike explained bond covenants that KUB is required to follow in obligation to the bond holders so they can be assured KUB is using sound financial practices in order to repay them. He also mentioned the Board's oversight in setting policies to determine the appropriate amount of debt. Vivian Shipe questioned why KUB has not changed the bond covenants as they relate to giving away service at no charge to assist customers in need. Mike and Mark explained more about the covenants and clarified it is the bonds for wastewater, initially set up by the City, that state KUB will not give away service without recovering the cost. Erin Gill noted the City also has bonds for which they must follow covenants to repay the bond holders, for example, through City taxes. Terry Ledford commented it can be viewed that the covenants are in lieu of collateral. Kent Minault noted that while adjustment of bond covenants may not be the right approach, he is interested in discussing how to help customers in need of bill assistance.

Stephen Smith commented on The Southern Alliance for Clean Energy's recent campaign to modify the City Charter as it relates to KUB and his opinion that consideration of the potential on KUB's bond ratings should not have been a point of emphasis. Jerry Askew, KUB Board Chair, clarified for the panel some of the Board's perspective on the proposed charter amendment in the interest of taking care to not negatively impact lower income customers by shifting more cost to the variable rate. There was more discussion about fixed fees, and it was acknowledged the intent is to have much more discussion about this topic at a future meeting.

Mike mentioned the different factors considered in setting rates. Dr. Smith commented on cost of serve studies and his interest in talking in more detail about different methods for conducting cost of service studies.

Mike shared a series of examples to illustrate the cost of service to provide water to customers and different approaches to recover those costs through rates. He asked the panel to share their opinions about how a utility could approach decisions about how to charge customers in different scenarios. There was discussion among several panel members to discuss the different factors that may be considered, and there was interest expressed in learning more about how KUB has approached these decisions to set current rates.

The meeting adjourned at 7:36 p.m.