



November 17, 2022

Revised Debt Management Policy

Resolution 1467



Debt Management Policy

- Formally established debt management objectives and practices
 - Types of debt
 - Issuance requirements and processes
 - Key debt metrics
- Adopted by Board in 2011 – last amended in 2012
- Proposed changes reviewed with Audit and Finance Committee
- Committee adopted Resolution AF-89 recommending Board approval

Proposed Modifications to Policy

- Recognize new Fiber Division
- Capital lease changes
- Interdivision loans
- Increased flexibility in debt refinancing thresholds
- Updates for certain debt metrics
- Housekeeping items

Long-Term Debt to Capitalization

| Division | Maximum Percentage Current | Maximum Percentage Proposed | Actual Percentage FY 22 |
|------------|----------------------------|-----------------------------|-------------------------|
| Electric | 60% | 50% | 39% |
| Gas | 60% | 50% | 23% |
| Water | 60% | 50% | 46% |
| Wastewater | 70% | 60% | 55% |

Long-Term Debt to Capitalization Forecast

Maximum Percentage Allowed

50%

50%

50%

60%

| Year | Electric | Gas | Water | Wastewater |
|-------|----------|-----|-------|------------|
| FY 22 | 39% | 23% | 46% | 55% |
| FY 23 | 42% | 21% | 44% | 54% |
| FY 24 | 44% | 19% | 44% | 53% |
| FY 25 | 43% | 17% | 43% | 51% |
| FY 26 | 43% | 15% | 43% | 49% |
| FY 27 | 43% | 13% | 42% | 48% |
| FY 28 | 43% | 12% | 40% | 46% |
| FY 29 | 41% | 10% | 38% | 45% |
| FY 30 | 39% | 8% | 35% | 44% |
| FY 31 | 38% | 7% | 34% | 43% |
| FY 32 | 37% | 6% | 31% | 43% |

Percent of Long-Term Debt Repaid in 10 Years

| Division | Minimum Percentage Required - Current | Minimum Percentage Required - Proposed | Actual Percentage FY 22 |
|------------|---------------------------------------|--|-------------------------|
| Electric | 30% | 30% | 45% |
| Gas | 30% | 30% | 73% |
| Water | 30% | 30% | 44% |
| Wastewater | 20% | 30% | 34% |

Resolution 1467

- Adopts revised Debt Management Policy
- Audit and Finance Committee recommendation for approval
- Effective upon passage

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November 17, 2022

Auditor Renewal

Resolution 1468



Request for Auditor Renewal

Coulter & Justus' three-year audit contract expiring

Discussion with Audit and Finance Committee for an additional two years

Audit and Finance Committee passed AF-88 recommending KUB Board accept two-year proposal from Coulter & Justus

Audit Fees Reflect Changes in Work Volume

- Fiber Division
 - New set of financials and management discussion
 - Additional inventory and assets
 - New billing system to audit
- Expansion of OPEB for HRA – OPEB now more like Pension
- General inflation

Proposed Coulter & Justus Two-Year Extension

| Audits | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Proposed | 2024 Proposed |
|------------------|-------------|-------------|-------------|---------------|---------------|
| Annual Financial | \$105,000 | \$105,500 | \$120,500 | \$138,000 | \$145,000 |
| Project Help | \$ 4,000 | \$ 4,000 | \$ 4,000 | \$ 6,000 | \$ 6,000 |
| Pension Plan | \$ 20,750 | \$ 20,850 | \$ 20,950 | \$ 23,000 | \$ 24,000 |
| 401(k) Plan | \$ 16,500 | \$ 16,600 | \$ 16,700 | \$ 18,000 | \$ 18,750 |
| OPEB Trust | \$ 11,750 | \$ 11,750 | \$ 12,000 | \$ 23,000 | \$ 24,000 |
| Total | \$158,000 | \$158,700 | \$174,150 | \$208,000 | \$217,750 |

Resolution 1468

- Requests City Council approval of audit engagement with Coulter & Justus for audits beginning 2023
- Authorizes President and CEO to execute agreement with Coulter & Justus

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Natural Gas Purchasing Authority & Winter Update



Summary of Today's Discussion

- Remain in compliance with natural gas purchasing and risk management policies
- No gas supply or pipeline concerns heading into winter
- Wholesale energy prices are up
- Customer winter electric and gas bills projected higher

KUB In Compliance With Resolution 1447

- Board authority required for
 - Contracts in excess of six years and/or volume limits*
 - Purchase and transportation: 160,000 dth/d *
 - Storage: Five million dth maximum inventory
- Purchasing authority delegated to CEO/CFO for contracts
 - Two years or less
 - Two to six years for purchase and transport up to 15,000 dth/d*
 - Specific authority regarding ETNG capacity
 - Six years (max) storage for firm withdrawal rights up to 10,000 dth/d
- Authorizes sale of excess capacity

KUB Supply Portfolio

| Supplier | Supply Region | Volume | Firm/ Variable | Expiration |
|--------------------------|----------------|-----------|----------------|-------------|
| BP Energy | Gulf of Mexico | 8,000 | Variable | 10/31/2023* |
| ConocoPhillips | Gulf of Mexico | 13,000 | Variable Daily | 10/31/2023* |
| Shell Energy | Gulf of Mexico | 11,000 | Variable | 10/31/2023* |
| Nextera | Gulf of Mexico | 5,000 | Variable | 10/31/2023 |
| Nextera | Gulf of Mexico | 7,500 | Variable | 10/31/2024 |
| CNX Energy | Appalachia | 3,000 | Firm | 03/31/2024 |
| Enervest (prev. Sequent) | Appalachia | 2,000 | Firm | 03/31/2025 |
| Morgan Stanley | Gulf of Mexico | 2,800 avg | Firm (PrePay) | 10/31/2051 |

*Enacted one-year extension

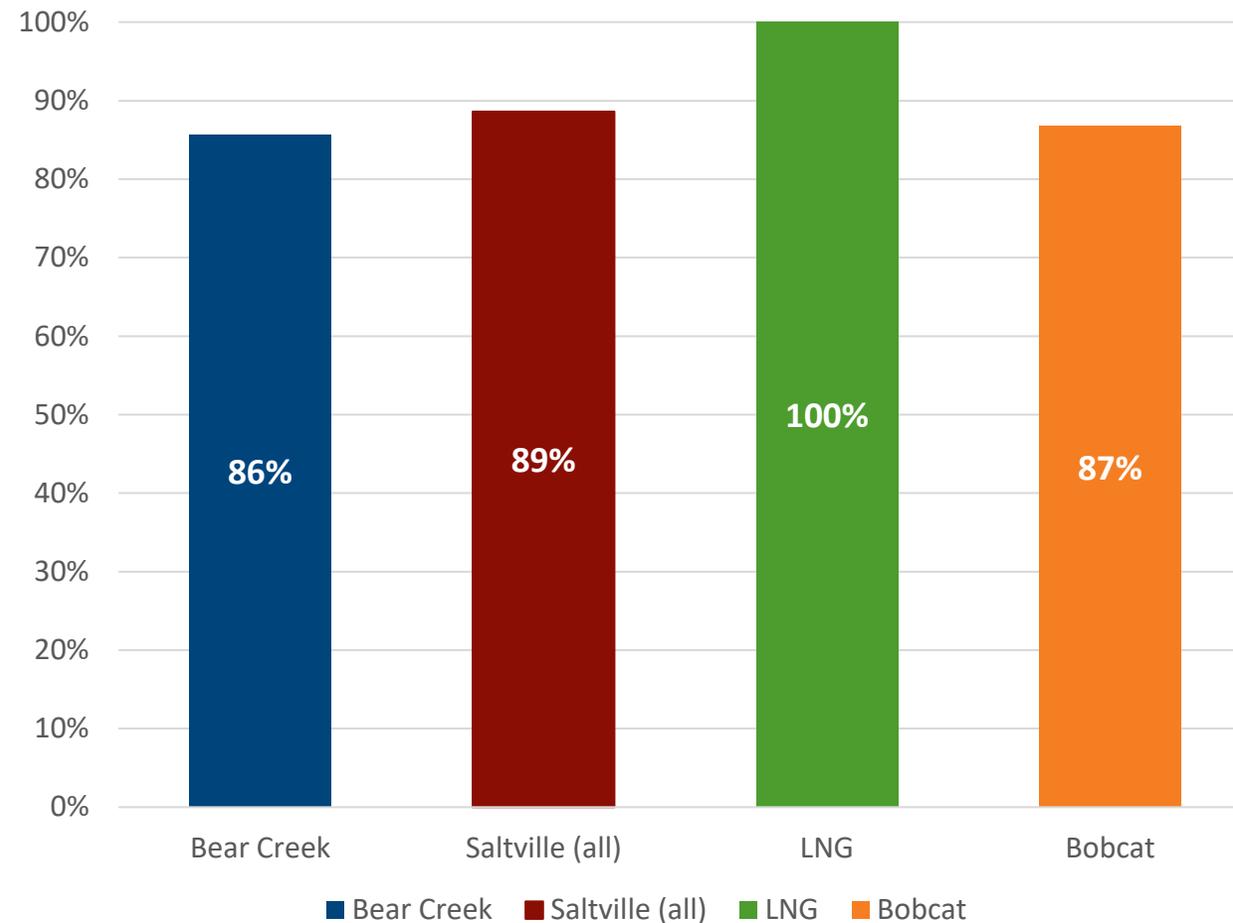
New supplier, terms, or expiration

KUB Storage

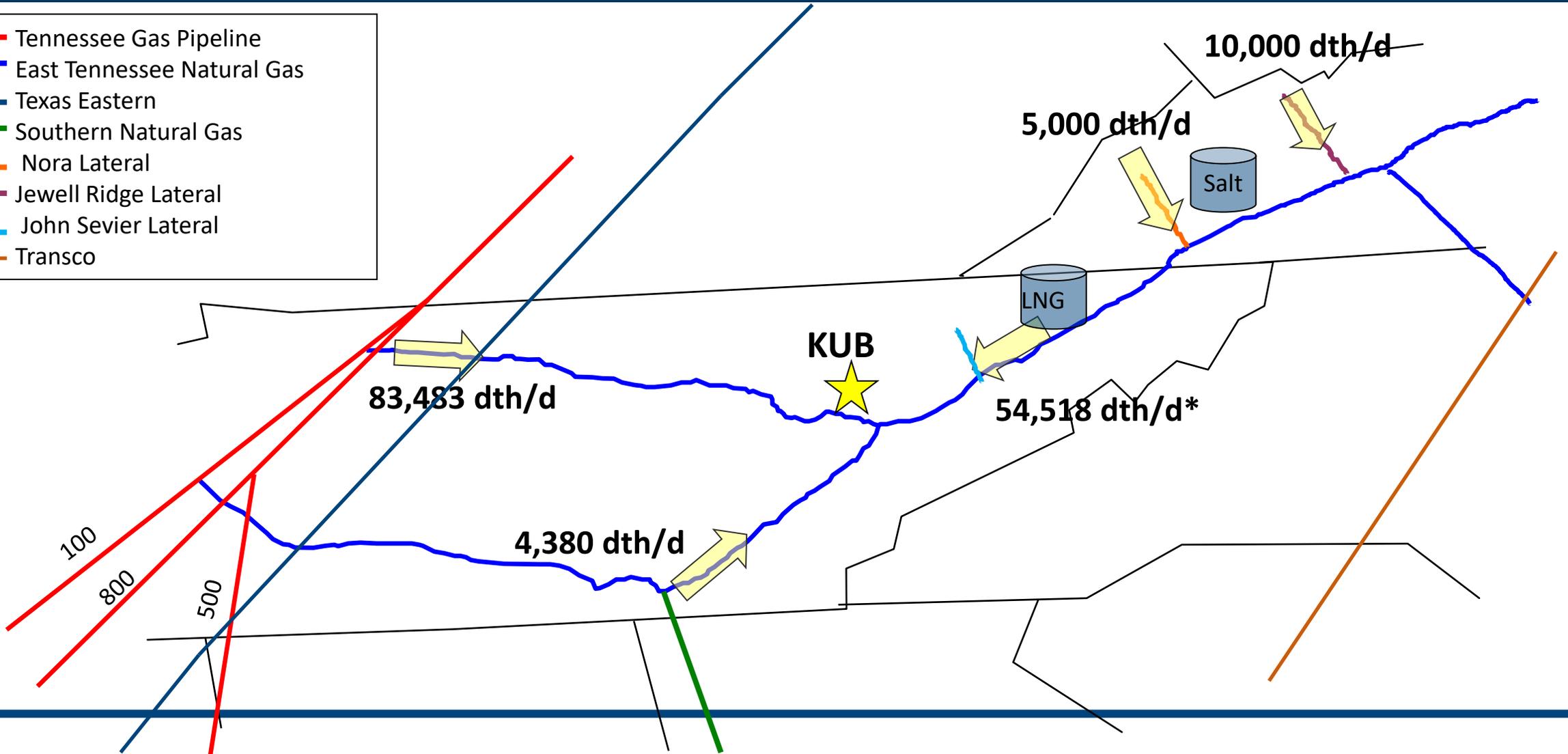
| Storage | Pipeline | MSQ (Space) | Expiration |
|------------------|----------|-------------|------------|
| Bear Creek 2014 | TGP | 3,325,920 | 10/31/2025 |
| Saltville 00264s | ETNG | 200,000 | 03/31/2028 |
| Saltville 00265s | ETNG | 100,000 | 03/31/2028 |
| Saltville 420031 | ETNG | 100,000 | 03/31/2025 |
| LNG 33255 | ETNG | 412,000 | 10/31/2025 |
| Bobcat 720336 | Tetco | 150,000 | 10/31/2025 |
| | | 4,287,920 | |

New expiration date

Storage as of 10/31/2022: 3,745,363 Dth



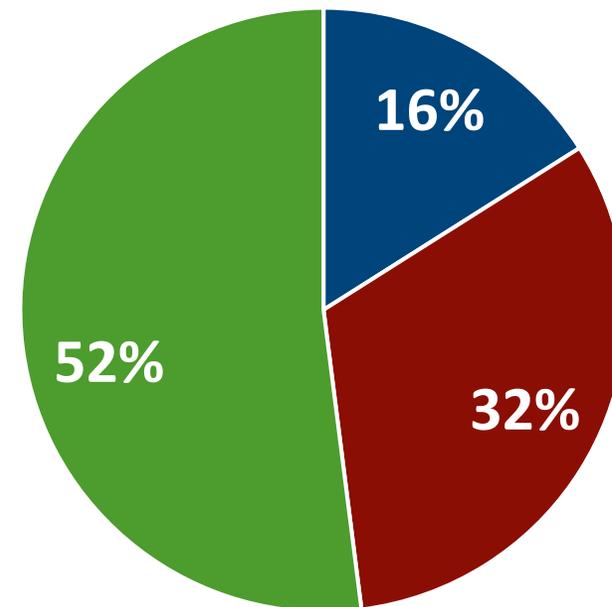
KUB Transportation Portfolio



KUB In Compliance With Resolution 1388

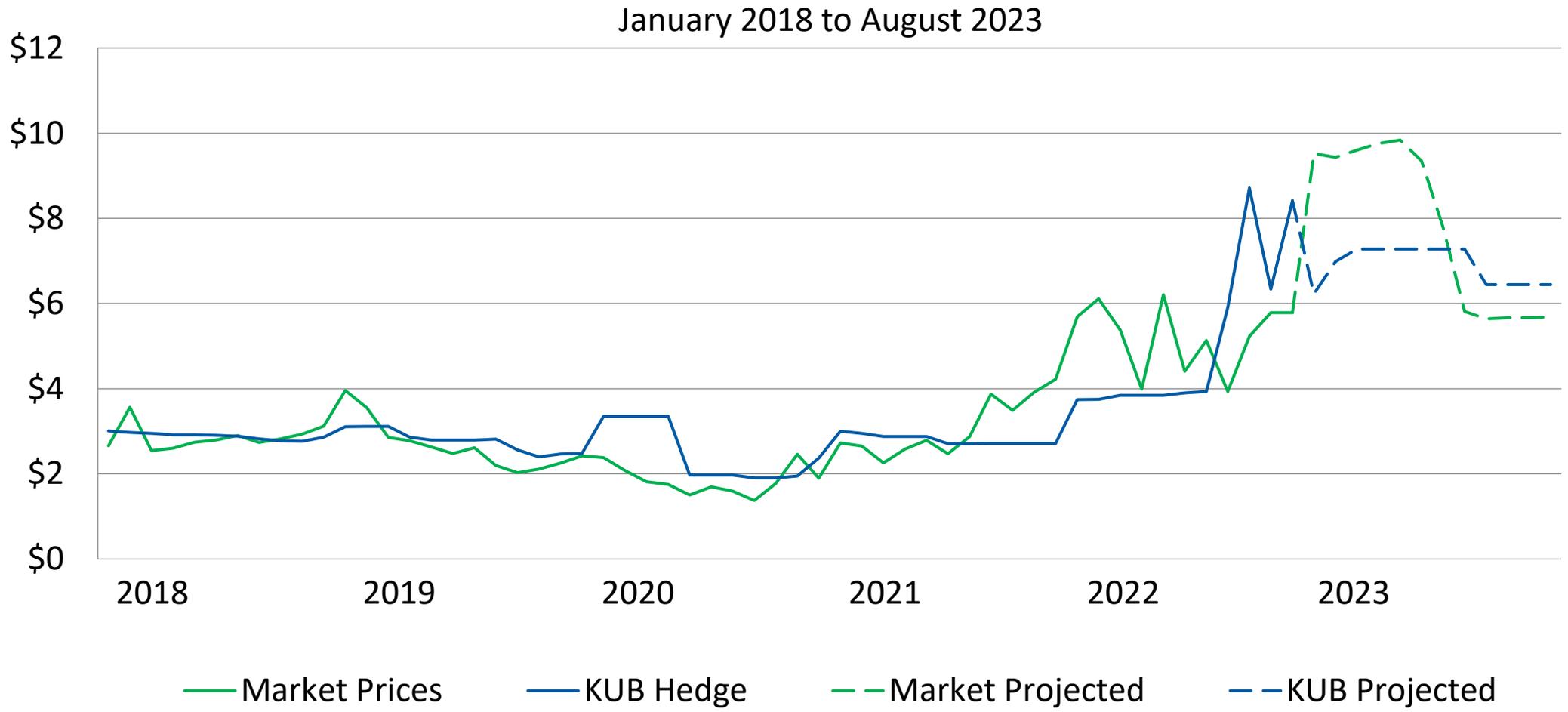
- Price Risk Committee approved current strategy which targets 25% hedged for near month purchases
- All transactions met requirements for opening and closing positions
- Monthly status reports to Price Risk Committee

22/23 Winter Pricing



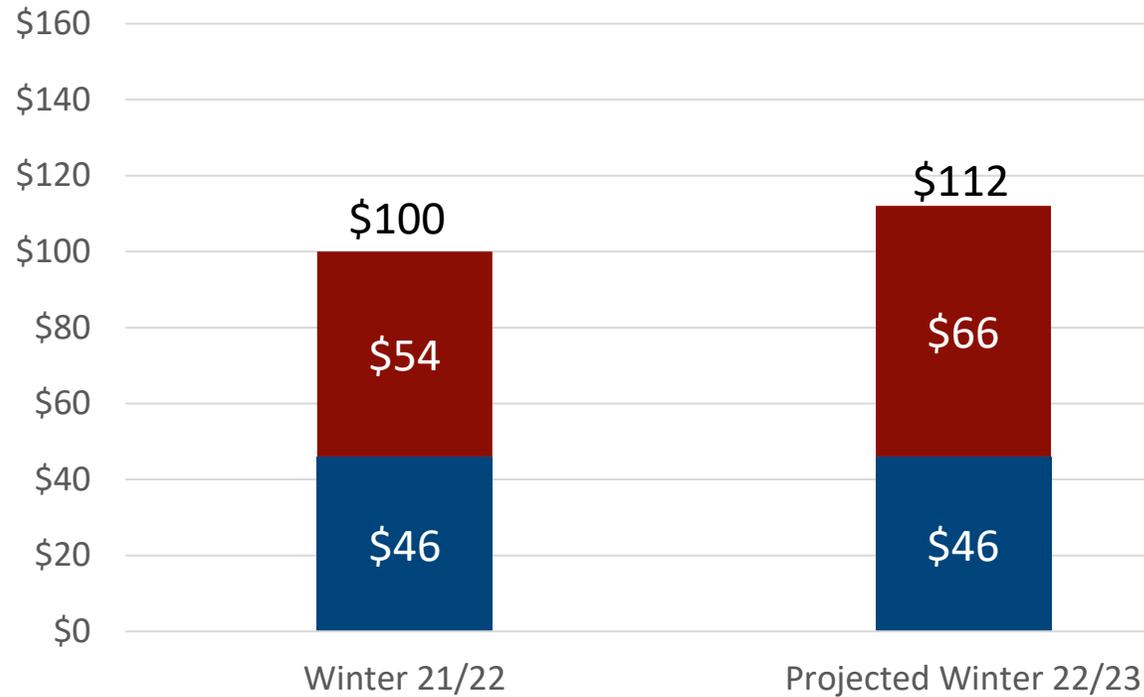
■ Fixed price ■ Storage (price certain) ■ Market price

KUB Hedges vs Market



Winter Bills Projected to be Higher Than Last Year

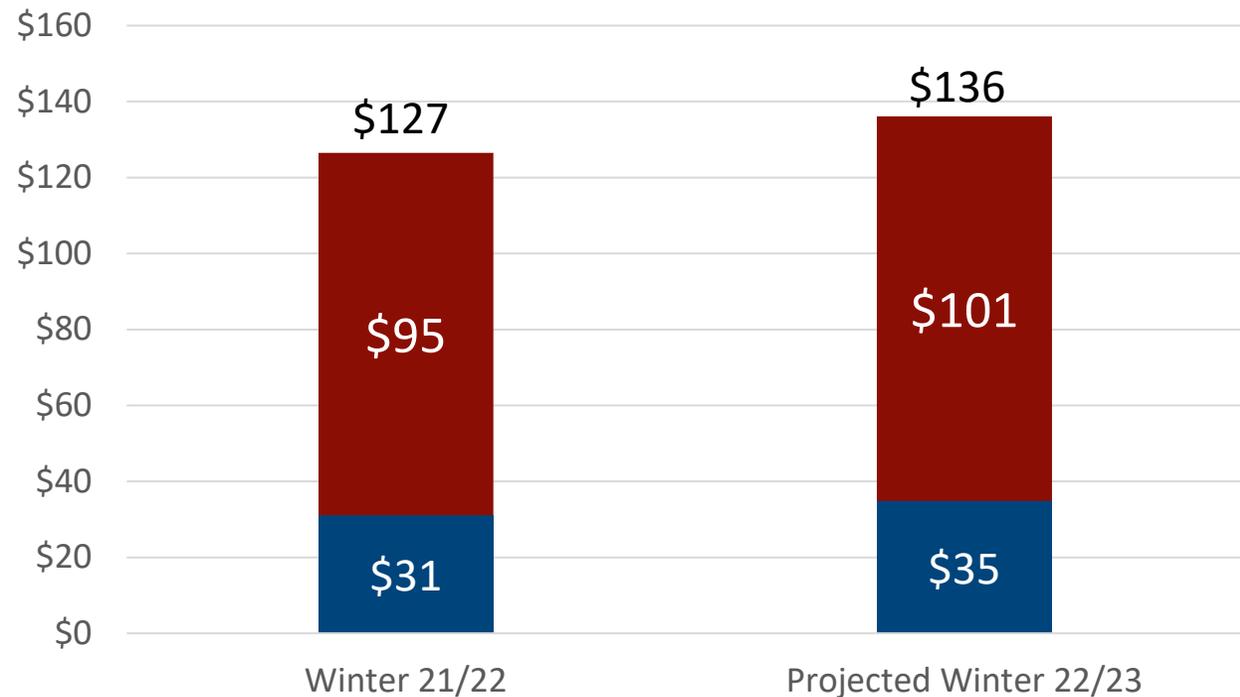
Monthly Residential Gas



Based on 79 therms per month

■ Wholesale Energy ■ KUB

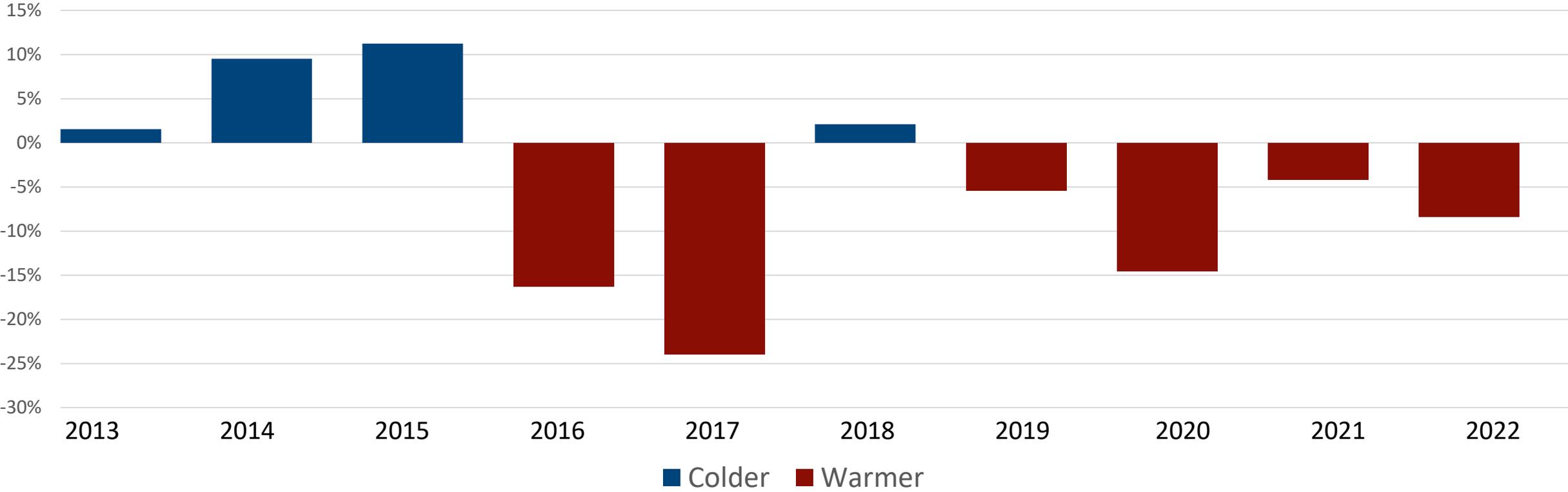
Monthly Residential Electric



Based on 1,117 kWh per month

Winter Weather Varies From Year to Year

Winter Weather Variation From Normal – Knoxville, Tennessee



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November 17, 2022

United Way Campaign Overview



2022 United Way Campaign

- Continues tradition of 30+ years
- Contributions are 100% employee-funded
- Included fundraising events, agency education, and community service



Employee Committee:

Barry Jones

Liz Hannah

Garrett Metz

Herschel Hall

Jermon Bishop

Hannah Claytor

Lauren Brown

Amelea Everett

Janea Peterson

Leanne Parker

Carolyn Day

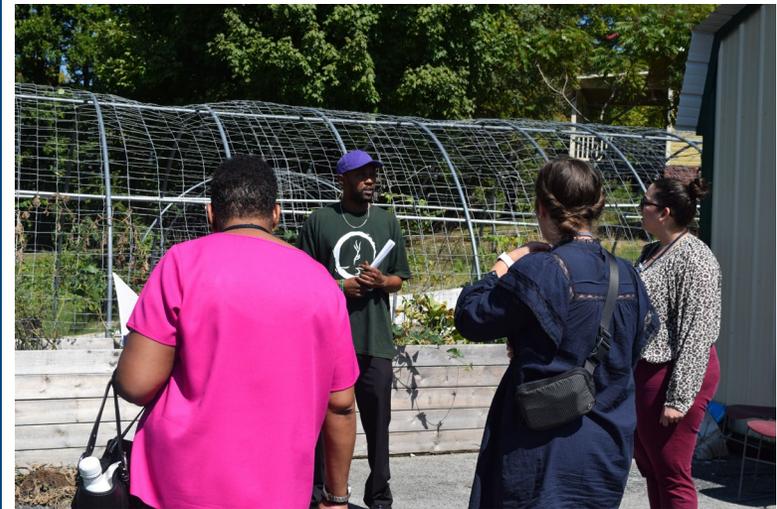
Elaine Reed

Madison Moreland

Leslye Hartsell

Agency Tours

- Employees visited 10 United Way agencies:
 - Boys & Girls Clubs of the Tennessee Valley
 - Socially Equal Energy Efficient Development (SEED)
 - Young Williams Animal Shelter
 - InterFaith Health Clinic
 - McNabb Center
 - Wesley House
 - Family Promise
 - The Restoration House
 - East Tennessee Children's Hospital
 - Knoxville-Knox County CAC



Nonprofit Agency & Volunteer Fair



Employees learned about agencies and signed up for volunteer opportunities

Week Of Service



143 employees provided 582 hours of service to 15 agencies

KUB Proudly Celebrates United Way's 100th Anniversary

- Over **\$208,000** raised for 2022 campaign
- More than **\$4 million** contributed since 2004
- Campaigns reflect KUB's mission of service and employee commitment to the community



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