Resolution 1383

- Amends Purchased Power Adjustment
  - Ensures timely and seamless allocation of hydro credits & charges to KUB electric customers
  - Updates language

- Second and final reading
  - Effective October 1st
$80M Bonds Sold at Favorable Rates

- Fund utility system capital improvements
- Sold competitively on August 22
- Bonds mature over 30 years
- Rates range from 3.43% to 3.50%
  - Budgeted at 4%
  - $8.2M savings over life of bonds
- High-quality ratings from Moody’s and Standard & Poor’s affirmed
### Bids on $40M Electric Bonds

<table>
<thead>
<tr>
<th>Bidder</th>
<th>True Interest Cost</th>
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<tbody>
<tr>
<td>Citigroup Global Markets</td>
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<tr>
<td>Hutchinson, Shockey, Erley &amp; Co.</td>
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<tr>
<td>Meisrow Financial</td>
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<td>Robert W. Baird</td>
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<tr>
<td>Raymond James</td>
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<td>Piper Jaffrey</td>
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<tr>
<td>J.P. Morgan Securities</td>
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</tbody>
</table>
Electric Bond Profile

- $322M in outstanding bonds
- $133M in interest cost
- Principal paid in next 10 years: 47%
- Debt ratio: 46%
- Weighted interest cost: 3.55%

![Electric Debt Service - Millions ($)](chart.png)
Bids on $8M Gas Bonds

<table>
<thead>
<tr>
<th>Bidder</th>
<th>True Interest Cost</th>
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<tbody>
<tr>
<td>Raymond James</td>
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<td>J.P. Morgan Securities</td>
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</table>
Gas Bond Profile

- Favorable financial performance in FY 18 reduced sale by $2M
- $121M in outstanding bonds
- $45M in interest cost
- Principal paid in next 10 years: 58%
- Debt ratio: 34%
- Weighted interest cost: 3.66%
## Bids on $20M Water Bonds

<table>
<thead>
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<td>J.P. Morgan Securities</td>
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<tr>
<td>Bank of America Merrill Lynch</td>
<td>3.517</td>
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<tr>
<td>Morgan Stanley &amp; Co.</td>
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</tbody>
</table>
Water Bond Profile

- $199M in outstanding bonds
- $97M in interest cost
- Principal paid in next 10 years: 37%
- Debt ratio: 51%
- Weighted interest cost: 3.55%
## Bids on $12M Wastewater Bonds

<table>
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<th>Bidder</th>
<th>True Interest Cost</th>
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<td>Hutchinson, Shockey, Erley &amp; Co.</td>
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<td>Bank of America Merrill Lynch</td>
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</table>
Wastewater Bond Profile

- $525M in outstanding bonds
- $331M in interest cost
- Principal paid in next 10 years: 28%
- Debt ratio: 62%
- Weighted net interest cost: 3.61%

Wastewater Debt Service – Millions ($)

Existing Bonds

New Bonds

2019 2021 2023 2025 2027 2029 2031 2033 2035 2037 2039 2041 2043 2045 2047 2049
## Professional Fees

<table>
<thead>
<tr>
<th>Cost</th>
<th>Professional Firm</th>
<th>Fee</th>
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<tbody>
<tr>
<td>Financial Advisor</td>
<td>Cumberland Securities</td>
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<tr>
<td>Bond Counsel</td>
<td>Bass, Berry &amp; Sims</td>
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<tr>
<td>Rating Agency</td>
<td>Moody's</td>
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<tr>
<td>Rating Agency</td>
<td>Standard &amp; Poor's</td>
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<td>Paying Agent</td>
<td>Regions Bank</td>
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<tr>
<td></td>
<td></td>
<td><strong>$404,000</strong></td>
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<tr>
<td>Other Costs (Escrow, POS, OS, Advertising)</td>
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<td><strong>$44,000</strong></td>
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<tr>
<td></td>
<td></td>
<td><strong>$448,000</strong></td>
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</tbody>
</table>
Engineering Building Update

September 20, 2018
Construction On Schedule

- Blaine Construction
- Expected completion July 2019
- 45,000 sq ft
- 180 employees
Third Floor  Entry and Break Area
Interior and Exterior Design Improves Workflow
Kickoff Celebrated With Employees February 21
Demolition and Recycling Began in March
Foundation and Structural Work Began in April
Structural Work Continued Through Summer
Steel Work Began in August
Today
Safety Continues To Be Top Priority
Expected Completion July 2019

- October: Steel frames complete, floors placed
- November: Roof installation
- March 2019: Exterior complete
  
  Operations Building renovation bidding

- May 2019: Interior complete
- June 2019: Paving, sidewalks and landscaping
- July 2019: Substantial completion
  
  Operations Building renovation begins
Leadership Development Update

September 20, 2018
**Our Vision:**
KUB exists to serve its customers, improving their quality of life by providing utility services that are safe, reliable and affordable.

**Shared Values:**
- We value the safety and well-being of our customers and employees.
- We value fairness, and try always to make decisions that provide the greatest good for the most people.
- We are in a position of trust and hold ourselves to high ethical standards.
- We improve the value of our services through efficiency, innovation and communication.
- We value the commitment and hard work of our employees.
- We are environmentally responsible in our operations and support the sustainability of our communities’ natural resources.
- We participate in the communities we serve.

**Our Mission:**
Our mission is to act as good stewards of our communities’ resources: utility assets, customer dollars, and the environment. We work to safeguard those resources and enhance their value for the people of the communities we serve and generations to come.

**We Measure Our Success by:**
- Customer Satisfaction
- System Performance
- Financial Performance
- Safety Performance

**Keys to Success:**
- Managing Our Utility System Infrastructure
  - Electric
  - Natural Gas
  - Water
  - Wastewater
- Improving The Customer Experience
- Managing Our Finances Effectively
- Meeting Or Exceeding Regulatory Standards
- Partnering For Economic Development
- Being Environmentally Responsible

---

We...
Elements of Leadership Development

- Training
- Experience
- Talent
- Alignment

Strong Bench
Succession Planning/Leadership Development

- 2012 effort focused on strategic planning and leadership development
- Began with all VPs and selected managers
- Goal: to ensure a deep management bench
- Results:
  - Leadership Development Program (LDP) implemented
  - Other initiatives for leadership at all levels
Investing in Future Leaders

- Learning Center
- Business Education Series
- Supervisor Training (HR Essentials)
- Educational Assistance
- Leadership Development Program (LDP)
LDP Preparation

- Selection process:
  - Managers/VPs nominated participants
  - Employee Development Steering Committee recommended class
  - Senior Staff approved the roster

- Prior to kickoff:
  - Personal assessments
  - Leadership Behavior Surveys (360 assessment)
LDP Addresses Many Facets of Leadership

- Personal Professional Development
- KUB Organizational Knowledge
- Community Education and Outreach
- Relationship Building
Curriculum Includes a Variety of Learning Opportunities

- Individual Development Plans
- Classroom presentations

- Projects
  - Community Service Project
  - LDP Assessment

- Field Trips
  - Lifetime Products
  - TVA
Goals for the Program

- Diversity in leadership pipeline
  - 20% minority representation among class members

- Retention levels better than KUB population
  - Early results met goal, but economy is making this more of a challenge

- Stronger bench for leadership positions
  - Half of LDP graduates have had a promotion
  - 67% have had some other leadership opportunity
Note: Gabriel Bolas will be sworn in as President and CEO on October 18, 2018

August 2018
2018 Leadership Development Graduates
Course Feedback
Most Beneficial Components

- Executive Staff involvement and interaction
- Networking and building relationships
- Developing an understanding of KUB
  - KUB’s Corporate Strategy and Blueprint Course
  - Managing our Finances Effectively – KUB’s Financial Strategy Course
  - KUB’s Values and Servant Leadership Round Table
  - Defining Moments Round Tables
Participant Feedback

“It takes everyone doing what they do best to align with the Blueprint to serve our customers with a level of expertise and commitment we have promised.”

“It is empowering to see employees, with or without a title, exemplifying and cultivating ... servant leadership... throughout our organization.”

“It does not matter what department you work in - everyone in the program shared the common goal of wanting to make KUB better and better.”
Thank you, from your KUB family.