



March 21, 2024

Authorization for Disposal of Real Property

Resolution 1486

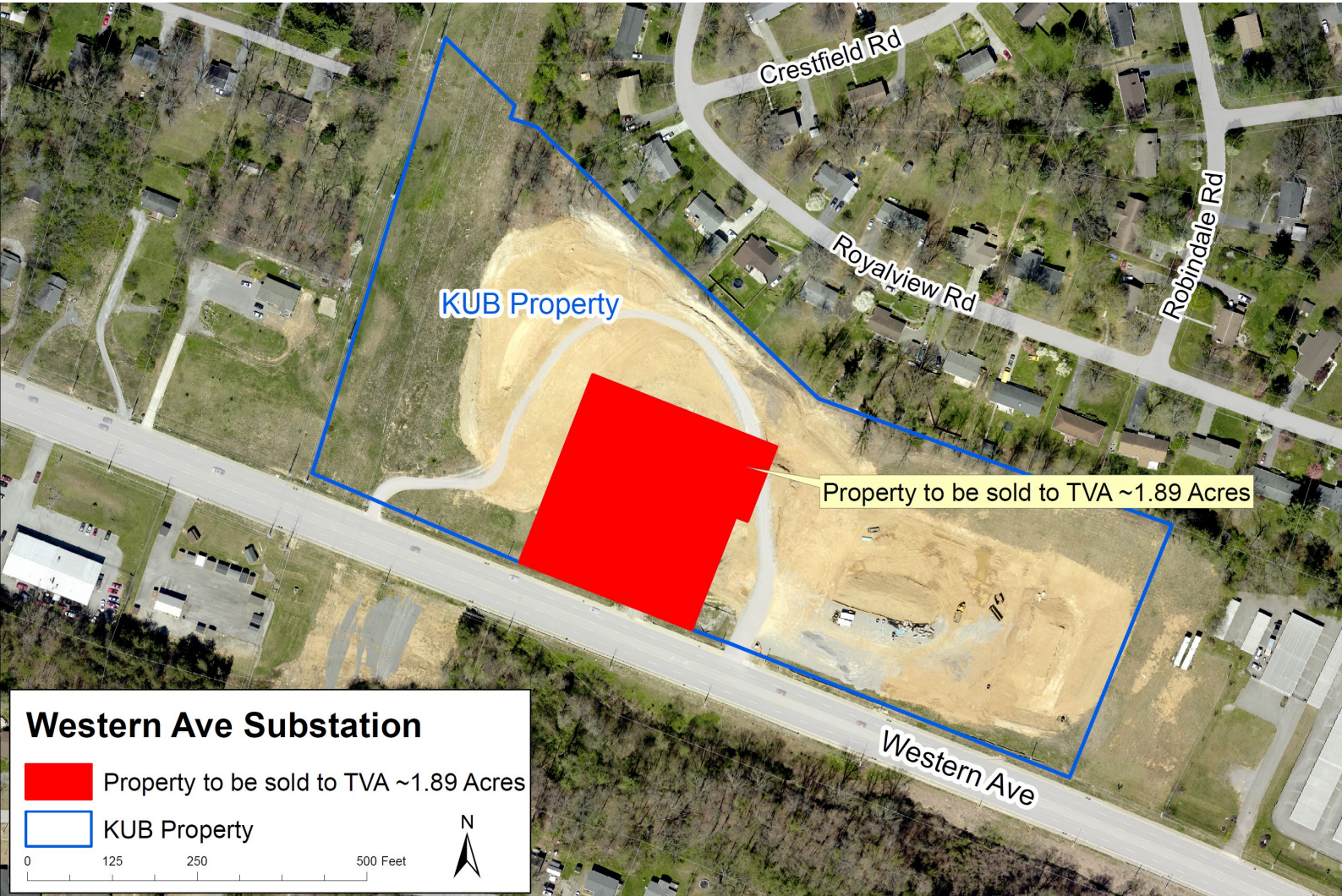


Overview

- KUB owns 1.89 acres of real property at 5983 Western Avenue
- KUB's new electric infeed substation is located adjacent to property
- TVA needs to own the 1.89-acre parcel on which it has located its electrical facilities
- TVA will purchase parcel for appraised value (\$246K)



5983 Western Avenue



Resolution 1486

- Authorizes the President and CEO to sell or otherwise dispose of the 1.89-acre parcel at 5983 Western Avenue



March 21, 2024

FY 2025 Strategic Initiatives



FY 2024 Strategic Initiatives

Grow Fiber Division

Major construction

Continue construction as planned, including year 1 buildout in grant-funded areas of Union and Grainger counties.

Customer growth

Grow the number of customers connected to at least 13,800 customers across all serviceable areas.

Low-income program

Initiate pilot program and seek additional support for expansion to other eligible areas.

Invest in a High-Functioning Organizational Culture

Blueprint deployment

Reinforce the cultural values within the new Blueprint and build alignment within our growing and changing workforce.

Leadership development

Continue training and development support for leadership staff, including a special focus on new and emerging leaders.

DEI education and outreach strategy

Continue comprehensive DEI training for all employees and build relationships in the community to support recruiting and other community efforts.

Develop Inflation Response Plan

Review operations and capital budgets

Assess impacts of deferred/reduced spending on Century II and other major initiatives; identify options for reducing expenses and prioritize them for consideration in FY25 long range plan.

Assess long-term funding strategies

Assess current long-term funding strategies regarding the use of rates and debt to fund capital and maintenance programs, including impacts on customer utility bills.

Pursue federal, state, and local infrastructure funding

Continue to seek funding from the Infrastructure Investment and Jobs Act, the American Recovery Program, the Inflation Reduction Act, and other sources of grant/loan funding for utility system infrastructure.

Challenges Ahead: Common Themes

Fiber Division Startup

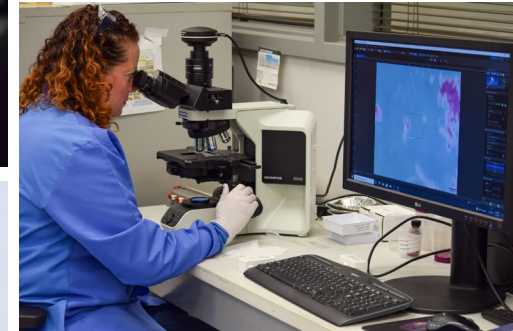
- Strong execution on deployment
- Uptake slower than original projections
- Continued and additional focus on growth



Challenges Ahead: Common Themes

Workforce

- Has always been our greatest strength
- We will need to step up our game to continue to recruit/retain talent
- We need to ensure our culture remains solid and our bench is deep



Challenges Ahead: Common Themes

Electric Industry Evolution

- Technology, energy demand, and customer expectations are moving quickly
- Continuing evolution in TVA relationship requires strategy for reliability, resilience, and managing supply risk



FY 2025 Strategic Initiatives

Grow Fiber Division

Major construction

Continue construction in Phase II areas, making fiber available to 110,000 new customers.

Marketing plan update

Update fiber marketing plan to shift from product/brand awareness focus to increased sales focus, using data analytics and Phase I sales experience to guide future actions.

Customer growth

Develop specific strategies to improve sales in the multi-family market.

Workforce Development

Develop a plan to address KUB's long term workforce needs

Identify strategies to attract and retain talent in an increasingly competitive labor market, including a continued focus on creating a more inclusive work culture through tailored DEI education and engagement.

Leadership development/succession planning

Develop a strategy for ensuring that KUB's new and emerging leaders are equipped for their roles and that our leadership bench is strong.

Develop Electric System Strategy

Develop a strategy for modernizing the KUB electric grid

Building on investments already made in fiber and automation, develop next-level strategies to modernize the KUB electric system by assessing and prioritizing new technologies and processes to improve system reliability, resiliency, and operational flexibility.

Develop a plan for utilizing the TVA flexibility allocation

Develop a strategy to leverage the 5% flexibility provisions in the TVA Long Term Partnership Agreement and a plan for implementing it.

Next Steps

- March

- Present FY25 Strategic Initiatives to Board
- Draft board-level and internal metrics

- April

- Long Range Plan presentation
- Finalize metrics

- May

- Audit and Finance adopts board metrics
- FY25 budget, debt, and rates approval

- November/December

- FY 2026 planning cycle begins



March 21, 2024

Upcoming Rate Action Items



Upcoming Rate Action Items

(May/June Board Meetings)

- Three (3) years of rate increases for electric, natural gas, water, and wastewater
- Electric fast charging station rate
- Amend Purchased Power Adjustment (PPA) to retain flexibility power supply cost savings

Electric Vehicle Fast Charging Rate

- Two EV fast charging stations in service this summer
 - Downtown Knoxville (Central Avenue)
 - Seymour (Food City parking lot)
- Funding partners include City and TVA
- Each station has four chargers
- Stations managed by third-party contractor
- Charging rate (per kWh) paid by drivers
- KUB receives charging revenues less management fee

Purchased Power Adjustment Amendment

KUB has Power Supply Flexibility Agreement with TVA

Allows KUB to self-generate up to 5% of its own electric energy requirements

Cost of energy generation displaces TVA's wholesale power cost

Projected power cost savings of \$14 million through 2030

Savings help fund Inflation Response Plan

PPA needs to be amended to retain savings

Anticipate flexibility project(s) for Board approval later this year



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Community Advisory Panel Input Inflation Response Plan



Community Advisory Panel Members

New Members

- **Cheryl Ball** – City of Knoxville
- **Isaac Collins** – Union Co. representative
- **Ty Hall** – CMC Steel
- **Claudia Mata** – Centro Hispano
- **Amy Nolan** – Knoxville Chamber
- **Dr. John Nolt** – Sierra Club
- **Janet Testerman** – Young-Williams Animal Center
- **Yassin Terou** – Yassin's Falafel House
- **Keira Wyatt** – C.O.N.N.E.C.T. Ministries

Returning Members

- **Christina Bouler** – Architect
- **Tiki Dixon** – Pastor
- **Barbara Kelly** – CAC
- **Terry Ledford** – Retired, UTK
- **Amy Midis** – Neighborhood representative
- **Dr. Stephen Smith** – Southern Alliance for Clean Energy

Inflation Response Plan Briefing

February 1, 2024

- Twelve members in attendance
- KUB Staff and Board members in attendance
- Briefing based on Board presentations from November and January
 - Overview of systems
 - Impact of inflation
 - Need for Century II investments
 - Potential impacts on rates and debt
- CAP members encouraged to ask questions and provide input
 - Dialogue during meeting
 - Follow up e-mails for additional input

Questions & Input from CAP

- Accounting for inflation – assumptions are key
 - Does the plan assume future inflation rates?
 - Does the plan incorporate moderating inflation and pricing trends?
 - *Answer: Yes, the plan assumes moderated future inflation (3%); although inflation has slowed, prices have remained higher than historical levels.*
- How does KUB compare to other utilities – are they also seeing increases?
 - *Answer: Yes, many of our peers are seeing increases; Standard and Poor's reports water utility increases averaging 6%.*

Questions & Input from CAP

- Programs like LIHEAP should respond with more funding for low-income customers
- Support for energy efficiency measures should also be increased
- Do these increases include those approved as part of the fiber launch?
 - *Answer: No, these are in addition to those increases, since the inflationary impacts occurred after their approval.*
- Do these increases include non-infrastructure cost increases in areas like staffing?
 - *Answer: Yes.*

Questions & Input from CAP

- Did you exhaust all other options before considering rate increases?
 - *Answer: Yes. KUB has had a longstanding commitment to cost management and is securing grants to offset some costs. But we can't save our way out of these increases; inflation and system needs are simply too great.*
- Are these increases impacting the basic service charge?
 - *Answer: No.*
- Will the increases impact both residential and non-residential customers?
 - *Answer: Yes. Presentation has been focused on residential costs, but non-residential customers will see similar impacts.*

Summary

- CAP members appeared to understand the need for the increases to support reliability and growth
- They recognized the impact on lower income customers, and supported additional LIHEAP funding and energy efficiency efforts to mitigate the impacts



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Plant Operations Disinfection Conversion Update



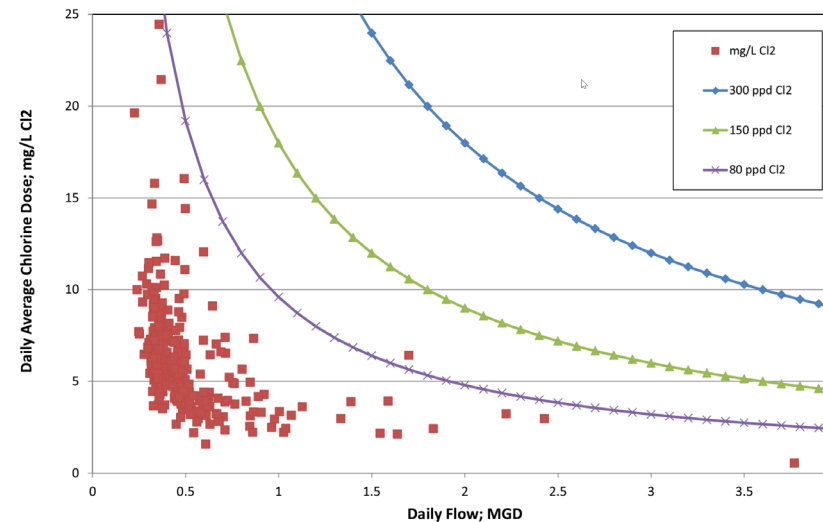
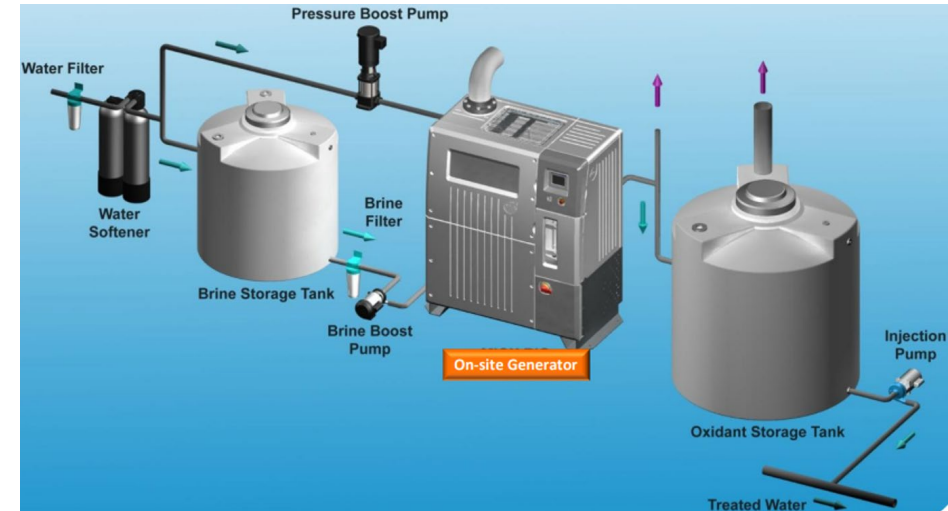
Disinfection History

- All treatment facilities utilized chlorine gas for disinfection
 - Industry standard for disinfection
 - Cost effective
- Desire to eliminate chlorine gas
 - Safety and security concerns
 - Increasing regulatory requirements
 - Product availability concerns
 - Increasing costs
- Began study on conversion process in 2014



Disinfection Alternatives Analysis

- Goal to find alternative options
- Improve operation and resiliency of disinfection process
- Introduce a safer, more efficient disinfection method
- Evaluated six disinfection technologies
 - Chose to pursue two
 - Ultraviolet light
 - Hypochlorite treatment



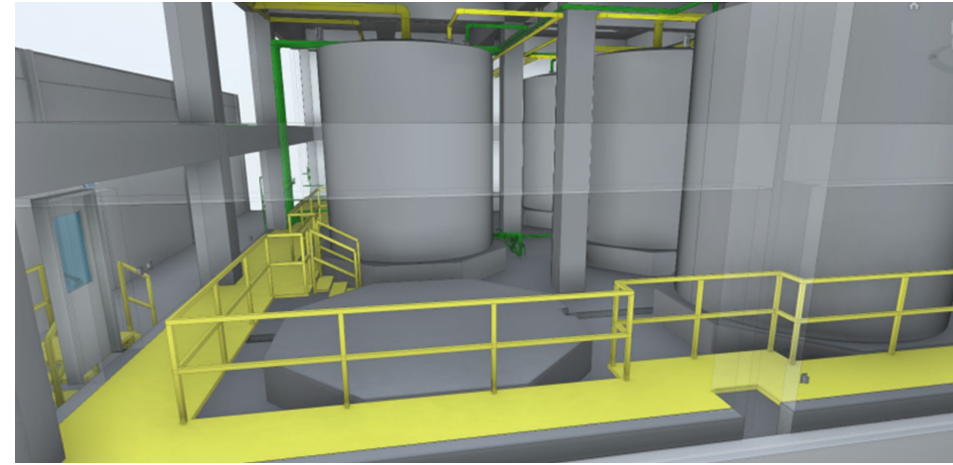
Initiative Update

- MBW WTP – Complete 2017
 - Sodium hypochlorite
- Eastbridge WWTP – Complete 2017
 - Calcium hypochlorite
- Loves Creek WWTP – Complete 2018
 - Ultraviolet light
- Fourth Creek WWTP – Complete 2023
 - Sodium hypochlorite
- Kuwahee WWTP – Design Phase
 - Sodium hypochlorite
 - Estimated completion summer 2026



Kuwahee WWTP Conversion

- Design selection critical for managing operations and cost
- Repurpose existing building provides substantial cost savings
- Features to reduce site impacts:
 - Appropriate tank material and size
 - Designed for lower building height
 - Brick building design
 - Upgraded security fencing



Kuwahee WWTP Conversion

- Currently at 60% design
 - Complete by August 2024
- Project to be bid fall 2024
- Construction to begin January 2025
- Project completion projected by summer 2026



Kuwahee WWTP Conversion

- Kuwahee WWTP is on a temporary sodium hypochlorite feed system
 - All chlorine cylinders have been removed
 - Will provide disinfection during construction
 - KUB is now out of the gaseous chlorine business!
- Significantly reduced regulatory burden
 - De-register for storage onsite
 - Close all regulatory programs and training
- Reduced employee and community risks
- Thanks to all the groups involved!!
 - Plant Operations, Wastewater Systems Engineering, System Maintenance, Safety and Regulatory Services and more



Questions

KUUB

KNOXVILLE
UTILITIES BOARD