



# Proposed Natural Gas Rate Schedule Changes

August 15, 2019



# KUB Gas Transportation Service

- G-11 Interruptible Transportation; G-12 Firm Transportation
  - Marketer delivers gas to KUB city gate
  - KUB utilizes distribution system to deliver to customer
  - Customer pays marketer for the gas and for pipeline/storage costs
  - Customer pays KUB only for distribution system costs
- “Firm Transportation” does not mean firm gas supply
- KUB’s distribution system is robust
  - No need to differentiate service provided to Transport customers

# Recommend Closing G-12 Schedule

- Close to new participants
- Provide two-year sunset for existing customers
- Before 11/1/2021 customers should move to one of the following:
  - G-11 (Interruptible) Transportation Service
  - G-7 Interruptible Gas Service
  - G-6 Commercial/Industrial Firm Gas Service
  - G-4 Commercial/Industrial Firm Gas Service
- Rename G-11 schedule to “Transportation Service”

# Unauthorized Gas Penalty

- Encourages customer compliance during
  - Period of Interruption: G-7 Interruptible
  - Operational Flow Order (OFO): G-11 and G-12 Transport
- \$15 per dekatherm (dth) penalty in place since 1982
- Unauthorized gas taken last winter by several customers over multiple days
- Recommend increase to \$25 per dth

# Standby Gas Provision

- Provides optional gas supply for Transportation customers, if and when available
- Provision has not been utilized
- Recommend eliminating standby provision

# Summary of Proposed Changes

- Revise unauthorized gas penalty from \$15 to \$25 per dth
- Eliminate standby gas provision
- Close and sunset G-12 Rate Schedule

Rate Schedule	Customers	Increase Unauthorized Penalty	Remove Standby Provision	Amend Name	Close & Sunset
G-7	11	X			
G-11	14	X	X	X	
G-12	3	X	X		X

# Resolution 1400

- Amends G-7, G-11, and G-12 Rate Schedules
  - Increases unauthorized gas penalty
  - Removes standby provision
- Revises availability of G-12 Rate Schedule
  - Closes to new participants as of November 2019
  - Terminates availability as of November 2021
- Requires two readings



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# Customer Exchange with First Utility District

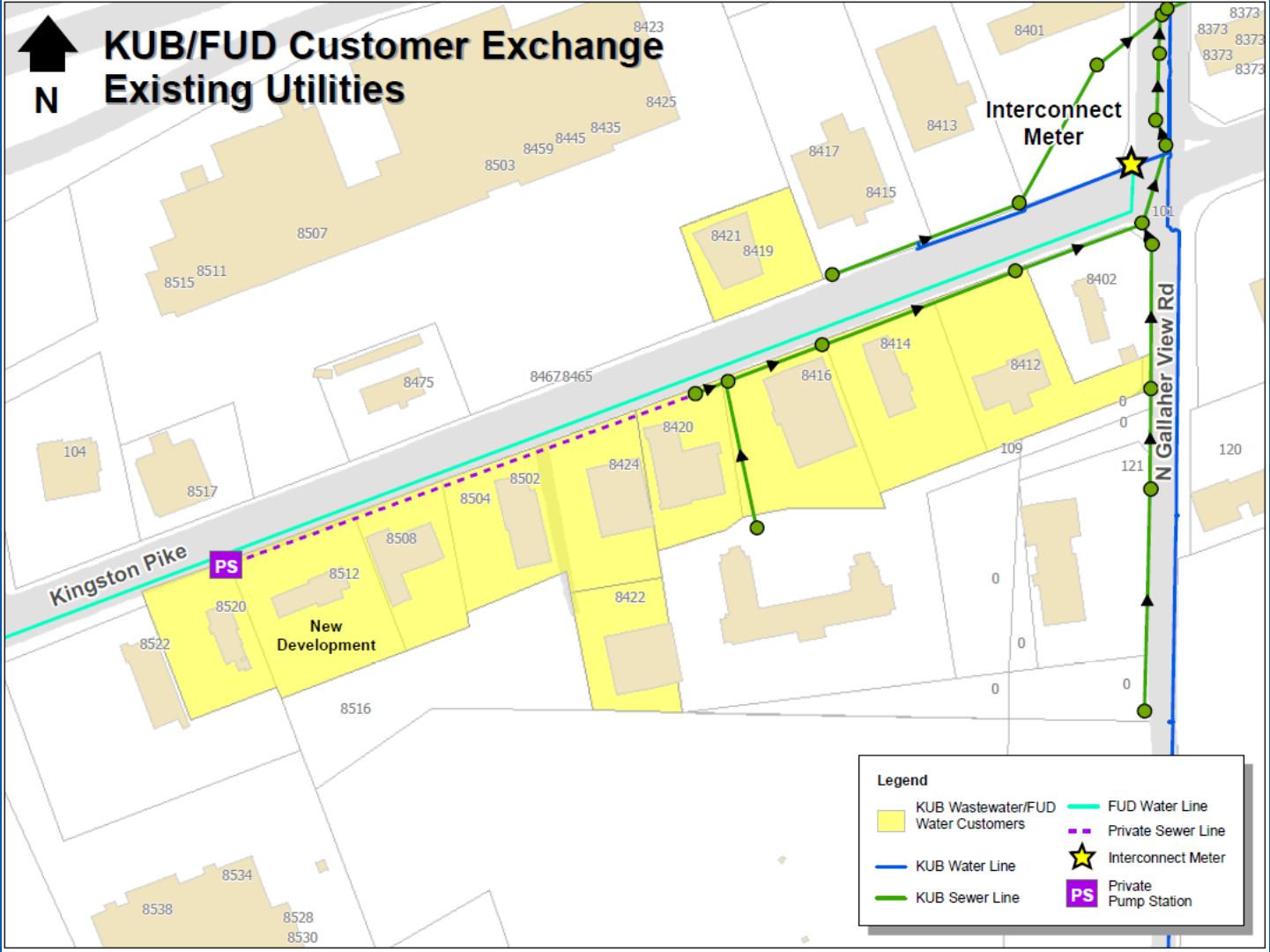
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**Resolution 1401**

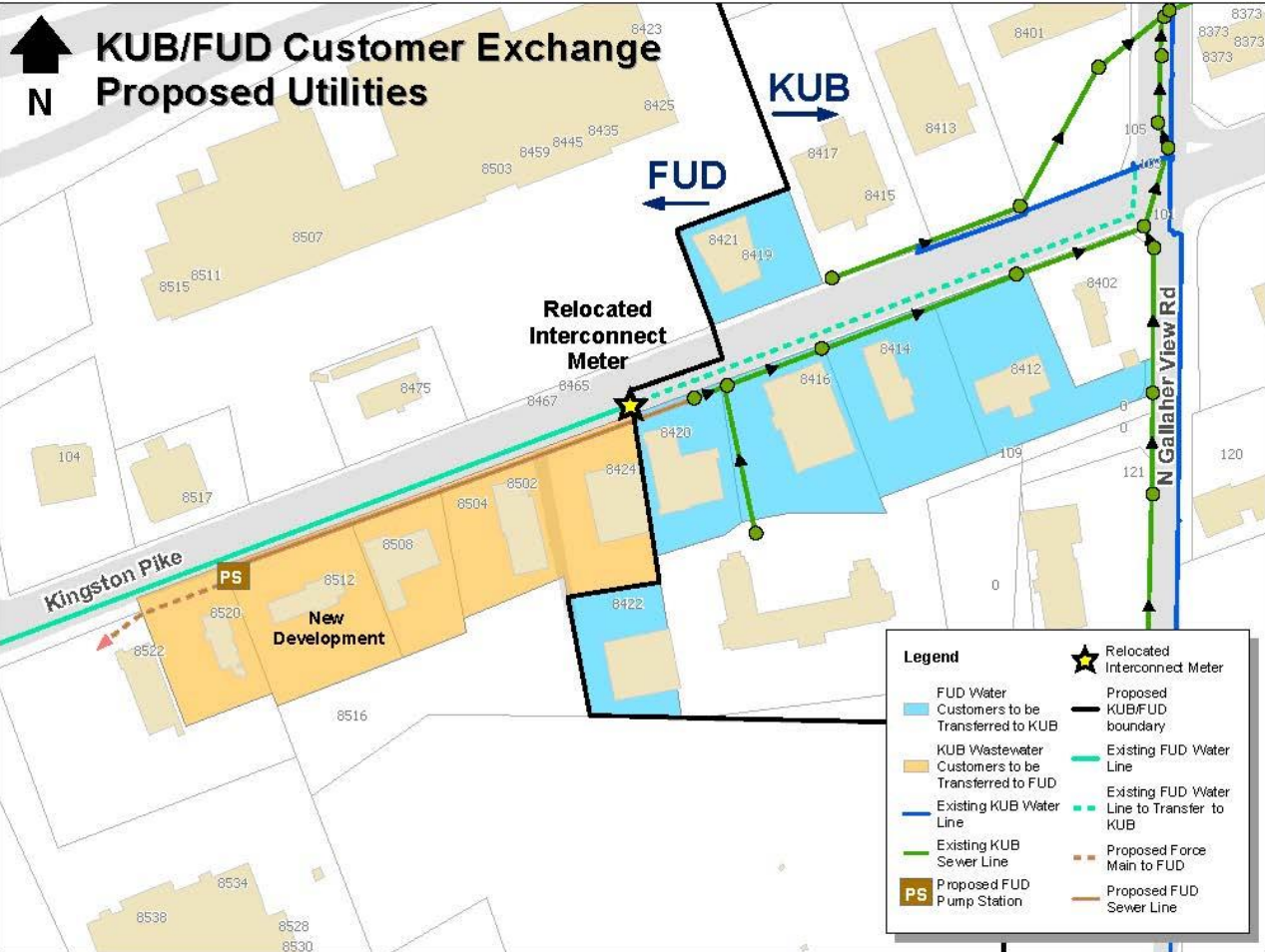


# KUB/FUD Customer Exchange Existing Utilities



## Legend

- KUB Wastewater/FUD Water Customers
- KUB Water Line
- KUB Sewer Line
- FUD Water Line
- Private Sewer Line
- Interconnect Meter
- Private Pump Station



# Exchange Facts

## ■ Wastewater facilities

- KUB transfers 5 wastewater customers to FUD
- FUD works with Developer to replace private pump station with FUD-owned facility

## ■ Water facilities

- FUD transfers 6 water customers to KUB
- FUD transfers ownership of 850' of water line to KUB
- KUB moves interconnect meter to new boundary

## ■ Customers aware of exchange and rate differential

# Resolution 1401

- Authorizes the exchange of water and wastewater facilities and service rights between KUB and FUD
- Authorizes the execution of any documents necessary for the exchange
- Authorizes those actions necessary to accomplish the exchange

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# Bond Sale Results

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# \$36M Bonds Sold at Favorable Rates

- Fund water and wastewater capital improvements
- Sold competitively on July 29
- Bonds mature over 30 years
- Bonds awarded at 2.785%
  - Budgeted at 4%
- High-quality ratings from Moody's and Standard & Poor's affirmed

# Lower Bond Issue Amounts and Favorable Rates Produce Significant Savings

	Authorized Bonds	Bonds Sold	Projected Interest <sup>(1)</sup>	Actual Interest <sup>(2)</sup>	Interest Cost Savings
Electric	\$17M	---	\$12.5M	---	\$12.5M
Water	\$26M	\$20M	\$19.1M	\$11.2M	\$ 7.9M
Wastewater	\$20M	\$16M	\$14.7M	\$9.0M	\$ 5.7M
	\$63M	\$36M	\$46.3M	\$20.2M	\$26.1M

*(1) Projected Interest Cost for 30 years @ 4.00%*

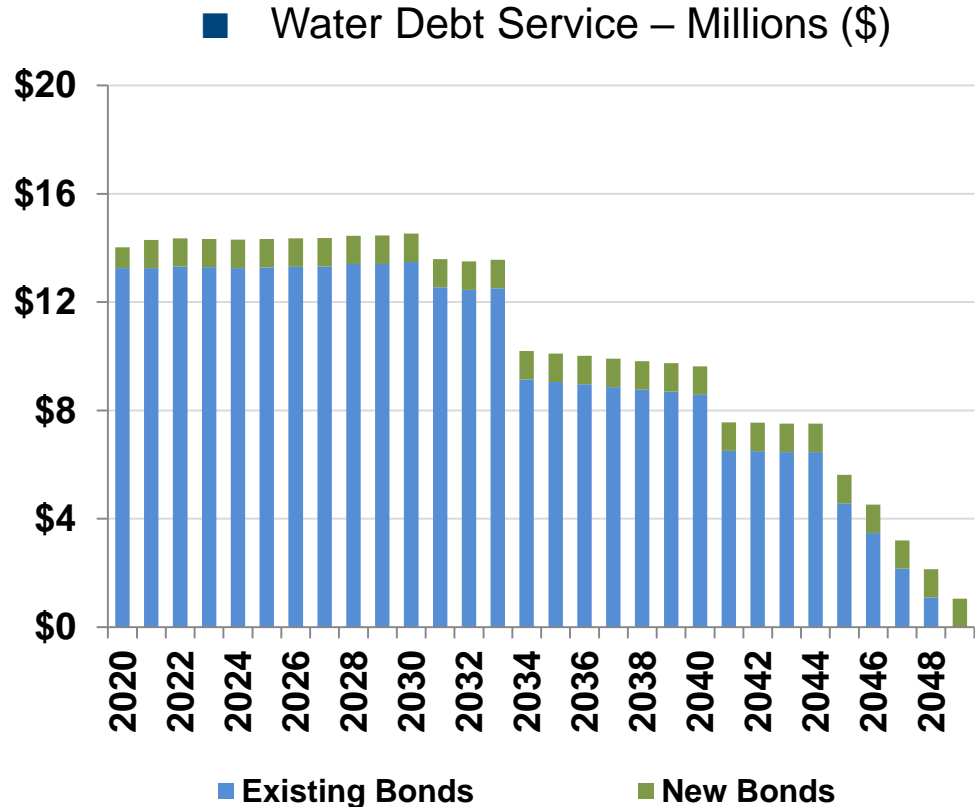
*(2) Actual Interest Cost for 30 years @ 2.785%*

# Bids on \$20M Water Bonds

Bidder	True Interest Cost
<b>Citigroup Global Markets</b>	<b>2.785</b>
FTN Financial Capital Markets	2.789
Robert W. Baird	2.789
RBC Capital Markets	2.793
Raymond James & Associates	2.796
Mesirow Financial	2.796
Bank of America Merrill Lynch	2.814
BNYMellon Capital Markets	2.823
UMB Bank	2.846
J.P. Morgan Securities	2.879

# Water Bond Profile

- \$213M in outstanding bonds
- \$102M in interest cost
- Principal paid in next 10 years: 38%
- Debt ratio: 51%
- Weighted interest cost: 3.53%

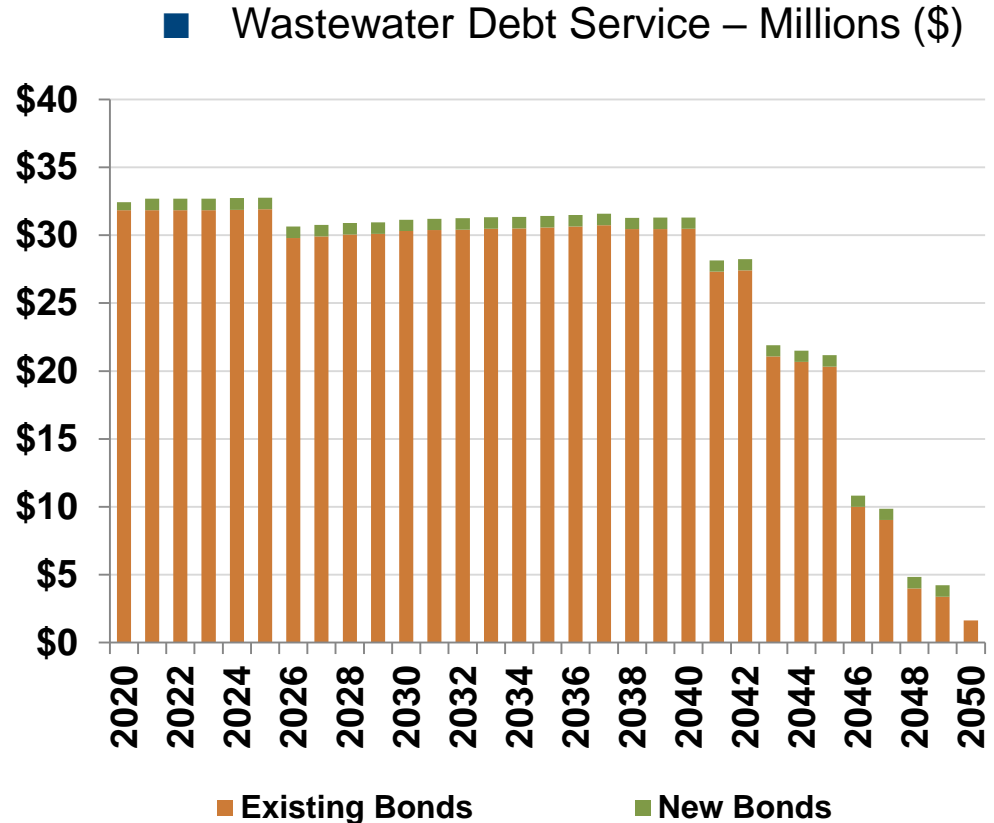


# Bids on \$16M Wastewater Bonds

Bidder	True Interest Cost
<b>FTN Financial Capital Markets</b>	<b>2.785</b>
Robert W. Baird	2.791
Raymond James & Associates	2.802
RBC Capital Markets	2.806
Citigroup Global Markets	2.811
Mesirow Financial	2.816
SWBC Investment Services	2.817
BNYMellon Capital Markets	2.835
UMB Bank	2.847
Bank of America Merrill Lynch	2.848
J.P. Morgan Securities	2.852

# Wastewater Bond Profile

- \$528M in outstanding bonds
- \$288M in interest cost
- Principal paid in next 10 years: 30%
- Debt ratio: 60%
- Weighted net interest cost: 3.6%



# Professional Fees

<b>Cost</b>	<b>Professional Firm</b>	<b>Fee</b>
<b>Financial Advisor</b>	<b>Cumberland Securities</b>	<b>\$63,000</b>
<b>Bond Counsel</b>	<b>Bass, Berry &amp; Sims</b>	<b>\$46,000</b>
<b>Rating Agency</b>	<b>Moody's</b>	<b>\$38,000</b>
<b>Rating Agency</b>	<b>Standard &amp; Poor's</b>	<b>\$41,000</b>
<b>Paying Agent</b>	<b>Regions Bank</b>	<b>\$1,000</b>
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		<b>\$189,000</b>
<b>Other Costs (Escrow, POS, OS, Advertising)</b>		<hr/>
		<b>\$22,000</b>
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		<b>\$211,000</b>

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# Preliminary Rates Forecast

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# Three-Year Rates Forecast Highlights

- No electric rate increases for 2 years
- No natural gas rate increases for 3 years
- Wastewater rates reduced from prior projections
- No increase in basic service charges
- Pilot Time of Use electric rate options
- Century II commitment continues

# New Rate Forecast Benefits Customers

<b>FY 21 – 23 Rate Increases</b>	<b>New Forecast</b>	<b>Prior Forecast</b>	<b>3-Year Residential Bill Savings*</b>
Electric	0%, 0%, 1%	1%, 1%, 1%	\$78
Natural Gas	0%, 0%, 0%	1%, 1%, 1%	\$36
Water	5%, 5%, 5%	5%, 5%, 5%	---
Wastewater	2.3%, 2.3%, 2.3%	3.5%, 3.5%, 3.5%	\$36
			\$150

\* Compared to Prior Forecast

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# This Rendering Is Now Reality



# Last Board Update In September 2018



# July Marked Substantial Completion

















# Building Opening August 26

- 17-month project
  - Began March 2018
  - July 2019 substantial completion
  - \$11.7M construction
- Current activities
  - Furniture and finishes
  - Landscaping
  - Commissioning systems
  - Final inspections
  - Moving logistics



# Expecting To Achieve LEED Certification

- Recycled building materials
- Energy efficient lighting, heat and air systems
- 50 kW rooftop solar array
- Outdoor landscaping and employee spaces



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# Electric Vehicle Charger Rebate Program

August 15, 2019



# Encouraging Use Of Electric Vehicles

- Good for the environment
- Helps community sustainability efforts
- Source of utility load growth
- Previously assessed owning/operating EV fast charge station
- Recommend supporting EV adoption through charging station rebates for residential customers

# Benchmarking EV Charger Rebates

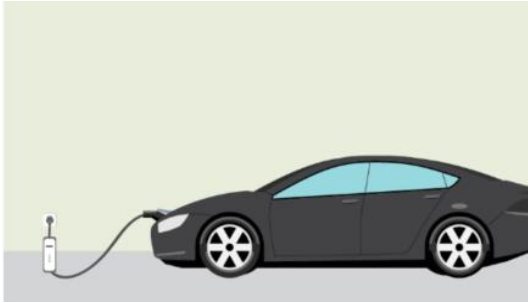
## ■ Common nationwide

- Many utilities engaged in EV market
- Incentives range in price and criteria

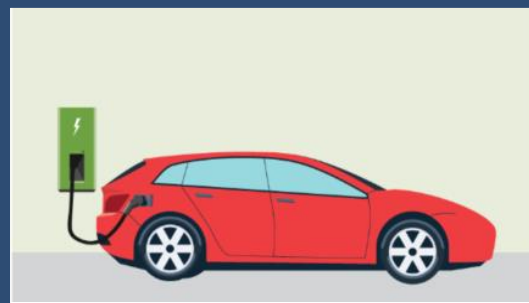
## ■ Uncharted locally

- No other Tennessee Valley local power companies offer rebates
- TVA doesn't currently offer rebates

# EV Charging Station Types



**Level 1**



**Level 2**



**DC Fast Charge**

**Voltage**

120 V

240 V

480 V

**Charge Time**

12-40 hours  
2-5 miles RPH

2-4 hours  
10-30 miles RPH

15-45 minutes  
100-200 miles RPH

**Primary Use**

Residential

Residential,  
commercial, public

Commercial, public

# KUB EV Charger Rebate Offer

- Offer for Level 2 EV chargers
- Available to residential electric customers
- Cover 100% equipment costs up to \$400



**UP TO \$400 REBATE**  
**ON ELECTRIC VEHICLE CHARGERS**



# Promoting the EV Charger Rebate Program



- Customer and industry outreach
- Broadcast and digital media
- Billboards
- Social media



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