



# Auditor Renewal

November 21, 2019



**Resolution 1404**

# Auditor Renewal Process

- Coulter & Justus' five-year contract expiring
- Discussion with Audit Committee on extension for an additional three years
- Received proposal from Coulter & Justus for financial, retirement systems, and Project Help audits
- Fee structures virtually unchanged
- Audit Committee recommended to move forward with proposal

# Proposed Fees

	Current Year	2020	2021	2022
KUB	\$105,000	\$105,000	\$105,000	\$106,000
Pension Plan	\$20,750	\$20,750	\$20,850	\$20,950
401(k) Plan	\$16,500	\$16,500	\$16,600	\$16,700
OPEB Trust	\$11,500	\$11,500	\$11,750	\$12,000
Project Help	\$4,000	\$4,000	\$4,000	\$4,000

# Resolution 1404

- Requests City Council approval of audit engagement with Coulter & Justus for audits beginning 2020
- Authorizes President & CEO to execute agreement with Coulter & Justus

**KUB**

# Long-term Natural Gas Supply Contract

November 21, 2019



**Resolution 1405**

# Current Gas Purchasing Practices

- Most gas bought from large producers or marketers
  - Year-round
  - Winter or summer only
  - Monthly
  - Daily
- Total daily purchase volumes vary greatly
  - Peak winter purchase – 60,000 Dth/d (dekatherm per day)
  - Low summer purchase – 12,000 Dth/d
- Duration
  - Most contracts are from 1 to 5 years
  - Board authority required for >6 years



# Proposed Long-term Gas Supplier

- Tennergy Corporation
  - A Tennessee Energy Acquisition Corporation
  - Experienced supplier
- Tennergy pre-pays for their gas supply
- Pre-pay relies on favorable interest rate environment
- Requires long-term, year-round gas purchase
- Provides significant savings

# Proposed Contract Details

- Up to 31-year contract
- Average daily purchase commitment of 2,800 Dth
- First period discount to market price gas of at least \$0.30 per Dth
  - \$307,000 initial annual savings
  - Potential \$9,210,000 savings over term

# Resolution 1405

- Authorizes execution of natural gas supply contract with Tennergy
  - Up to 31-year term
  - Average daily volume 2,800 Dth/d
  - Minimum savings of \$0.30 per Dth for initial period
- Authority to sign contract expires June 30, 2020

**KUB**

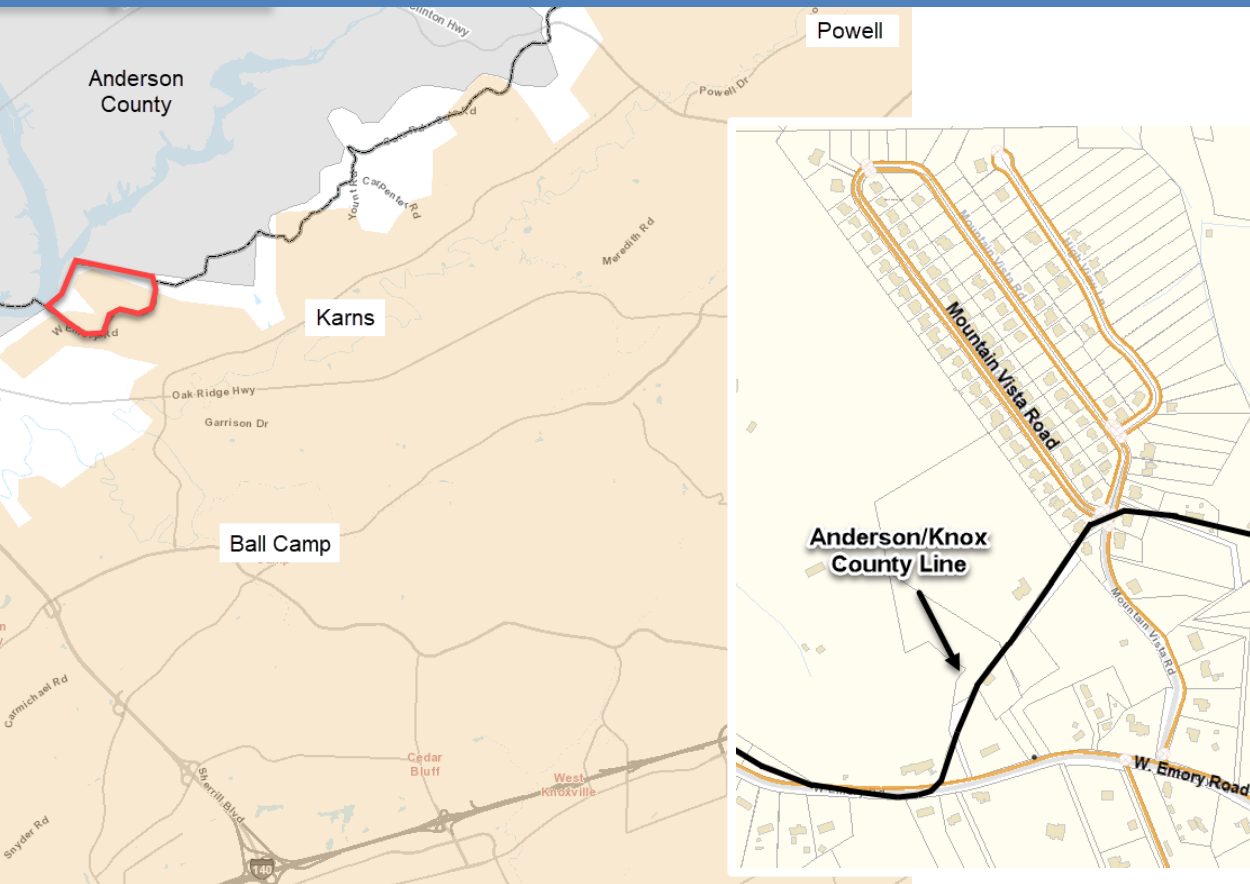
# Natural Gas Customer Transfer to PCUD

November 21, 2019



**Resolution 1406**

# Emory Vista Subdivision



- Approximately 100 customers in Anderson County
- Served by KUB since 2001
- Transfer helps better define service boundaries
- Customers to receive communication in advance of transfer

# Resolution 1406

- Authorizes the transfer of natural gas facilities and service rights for Emory Vista Subdivision to PCUD
- Authorizes the execution of any documents necessary for the transfer
- Authorizes those actions necessary to accomplish the transfer

**KUB**



# 10-Year Plan Financial Discussion

November 21, 2019





## 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**

**Investing in A Skilled, Diverse Work Force**

**Partnering For Economic Development**

**Being Environmentally Responsible**

# 10-Year Plan Reflects Our Vision

- Continue Century II and Water Plant Resiliency
- Complete advanced meter deployment in 2020
- Complete Consent Decree in 2021
- Maintain balanced funding plan
- O&M and Capital savings
- Lower level of rate increases
- Lower system debt levels

# New Three-Year Rate Forecast

- No electric rate increases for two years
- No natural gas rate increases for three years
- Wastewater rates reduced from prior projections
- No increase in basic service charges
- Pilot Time of Use electric rate options for residential and business customers

# New Rate Forecast Benefits Customers

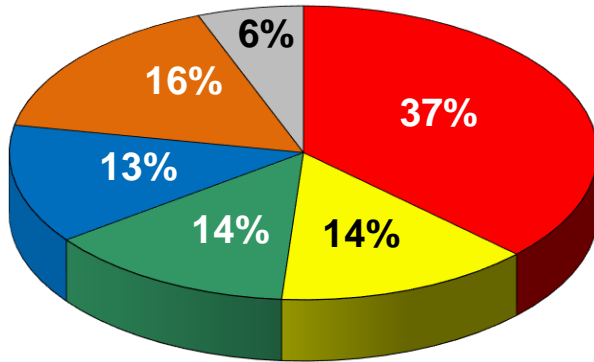
<b>FY 21 – 23 Rate Increases</b>	<b>New Forecast</b>	<b>Prior Forecast</b>	<b>3-Year Residential Bill Savings*</b>
Electric	0%, 0%, 1%	1%, 1%, 1%	\$78
Natural Gas	0%, 0%, 0%	1%, 1%, 1%	\$36
Water	5%, 5%, 5%	5%, 5%, 5%	---
Wastewater	2.3%, 2.3%, 2.3%	3.5%, 3.5%, 3.5%	\$36
			\$150

\* Compared to Prior Forecast

# Average Monthly Bill Impacts

201,000 Residential Households

Only 16% Have all Four Services



- Electric only
- Gas only
- Electric and Gas
- Electric, Water, and Wastewater
- All four
- Other

	FY 21	FY 22	FY 23
Electric	---	---	\$1.00
Natural Gas	---	---	---
Water	\$1.50	\$1.50	\$1.50
Wastewater	\$1.50	\$1.50	\$1.50

- Water and Wastewater increases reflected on August bills
- Electric and Natural Gas increases reflected on November bills

Rate increases applied to Commodity Charges;  
No increase in Basic Service Charges

# New 10-Year Plan Reflects Less Debt

Debt (L.T. Bonds)	New Plan	Prior Plan	Change
Electric	\$148M	\$246M	(\$98M)
Natural Gas	\$47M	\$52M	(\$5M)
Water	\$142M	\$150M	(\$8M)
Wastewater	\$123M	\$189M	(\$66M)

Capital Investment	New Plan	Prior Plan	Change
Electric	\$674M	\$753M	(\$79M)
Natural Gas	\$255M	\$246M	\$9M
Water	\$344M	\$339M	\$5M
Wastewater	\$425M	\$470M	(\$45M)

# Electric and Natural Gas Debt Levels

	<b>Electric Debt</b>	<b>Electric Debt %</b>	<b>Natural Gas Debt</b>	<b>Natural Gas Debt %</b>
FY 19	\$322M	46%	\$115M	33%
FY 24	\$330M	42%	\$95M	25%
FY 29	\$265M ↓	33% ↓	\$93M ↓	23% ↓



# Water and Wastewater Debt Levels

	Water Debt	Water Debt %	Wastewater Debt	Wastewater Debt %
Current	\$193M	51%	\$512M	61%
FY 24	\$238M	49%	\$507M	54%
FY 29	\$240M ↑	41% ↓	\$475M ↓	48% ↓

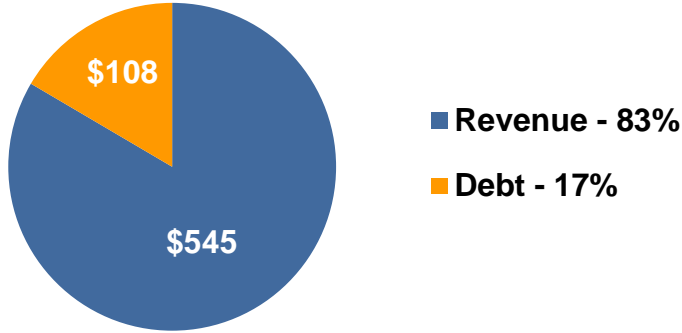
# Key Assumptions and Indicators

	Electric	Gas *	Water	Wastewater
<b>Annual Customer Additions</b>	1,600 – 1,700	1,200 – 1,300	315	375
<b>Residential Annual Use</b>	0.5% ↓	1% ↓	1% ↓	1% ↓
<b>Interest Rate on New Debt</b>	←———— 4.0 – 5.0% —————→			
<b>Term of New Debt</b>	←———— 30 Years —————→			
<b>Debt Ratio (Short-Term)</b>	45% or less	35% or less	50% or less	60% or less
<b>Debt Ratio (Long-Term)</b>	40% or less	25% or less	45% or less	50% or less
<b>Debt Coverage</b>	3.0 or more	3.0 or more	2.0 or more	1.5 or more

\* 6% warmer than normal winter for Gas

# Electric Plan Funding Summary

10-Year Capital = \$653 Million



## Rate Increases for Consideration

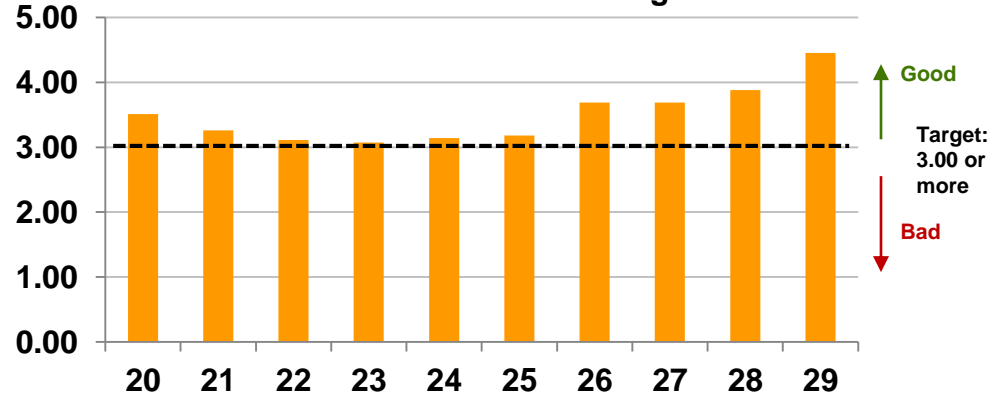
FY 21	FY 22	FY 23
---	---	1%

## Future Projected Rate Increases

FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
1%	1%	1%	1%	1%	1%

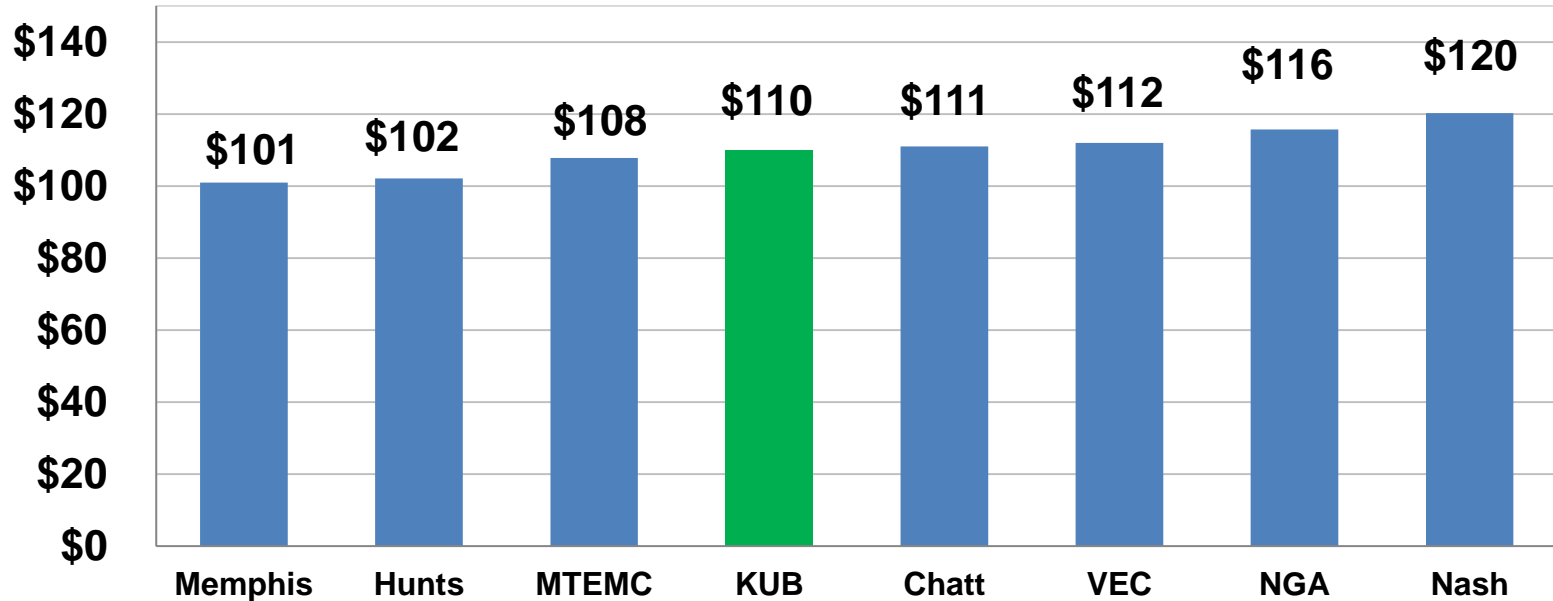
	Electric Bonds	Debt Ratio 45% or less
<b>July 1, 2019</b>	<b>\$322M</b>	<b>46%</b>
(+) New Bonds	\$ 87M	
(-) Payments	\$ 79M	
<b>June 30, 2024</b>	<b>\$330M</b>	<b>42%</b>
(+) New Bonds	\$ 21M	
(-) Payments	\$ 86M	
<b>June 30, 2029</b>	<b>\$265M</b>	<b>33%</b>

## Debt Service Coverage



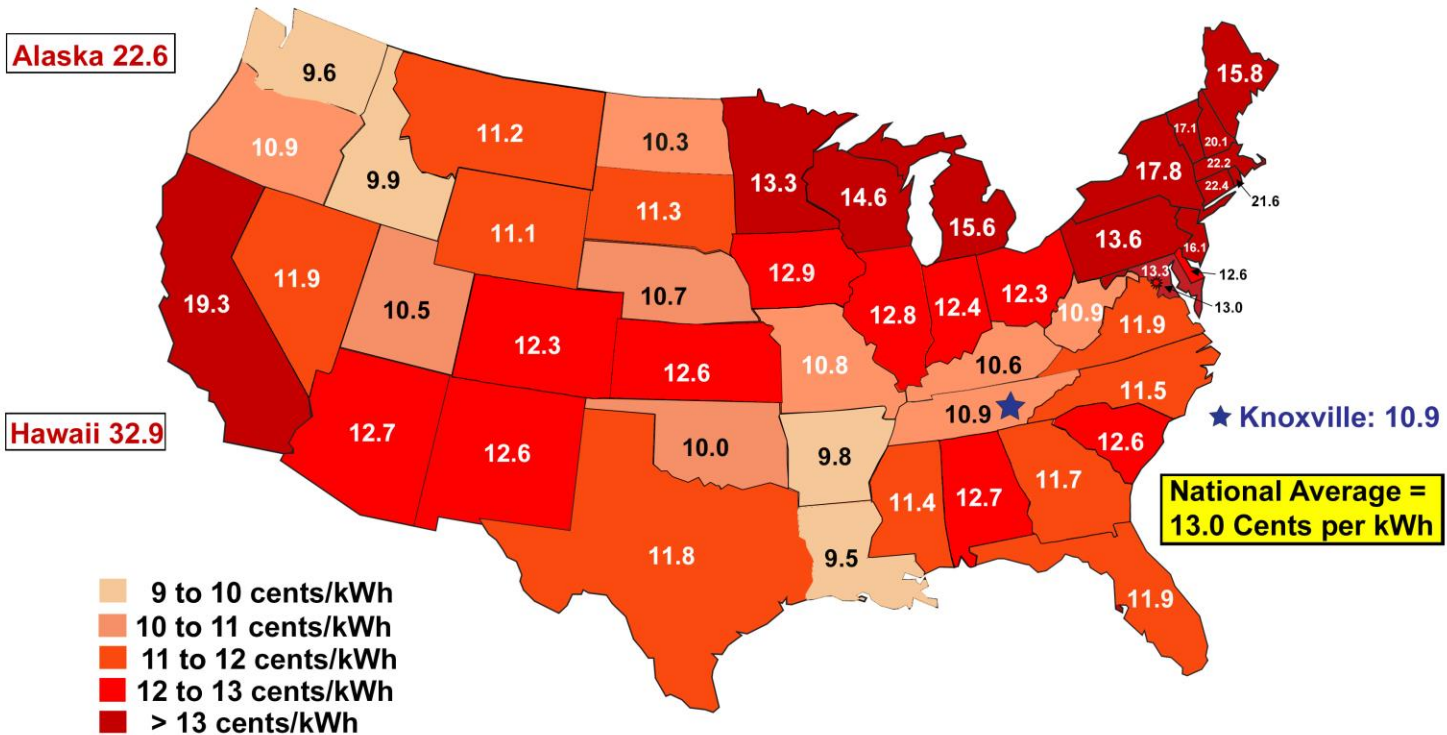
# Electric Residential Bill Comparison

Residential Monthly Bill (\$) – TVA “Big 8” Distributors



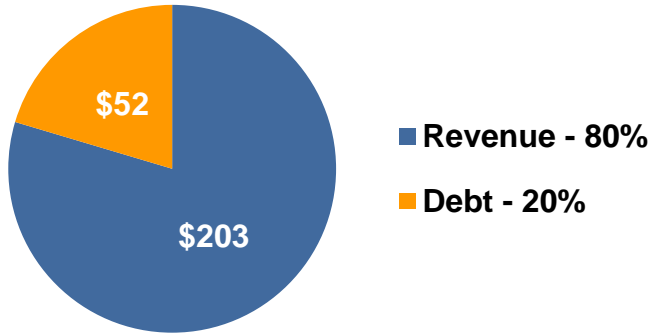
*1,000 kWh typical monthly use*

# KUB's Residential Electric Rates Below National Average



# Natural Gas Plan Funding Summary

10-Year Capital = \$255 Million



## Rate Increases for Consideration

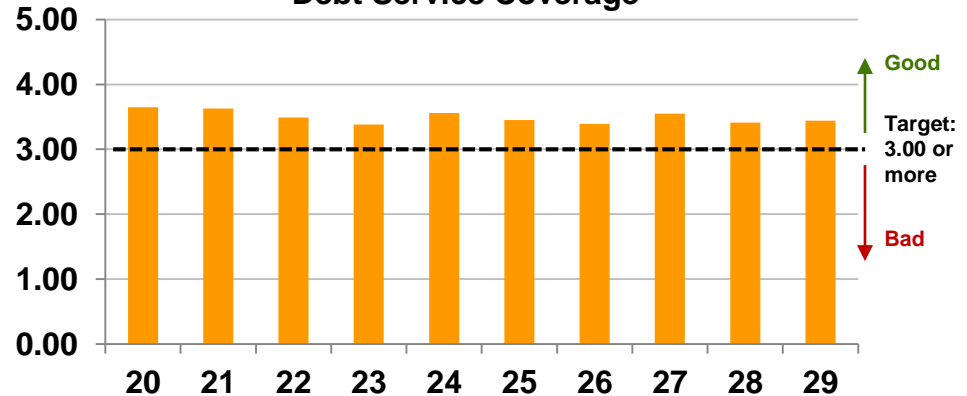
FY 21	FY 22	FY 23
---	---	---

## Future Projected Rate Increases

FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

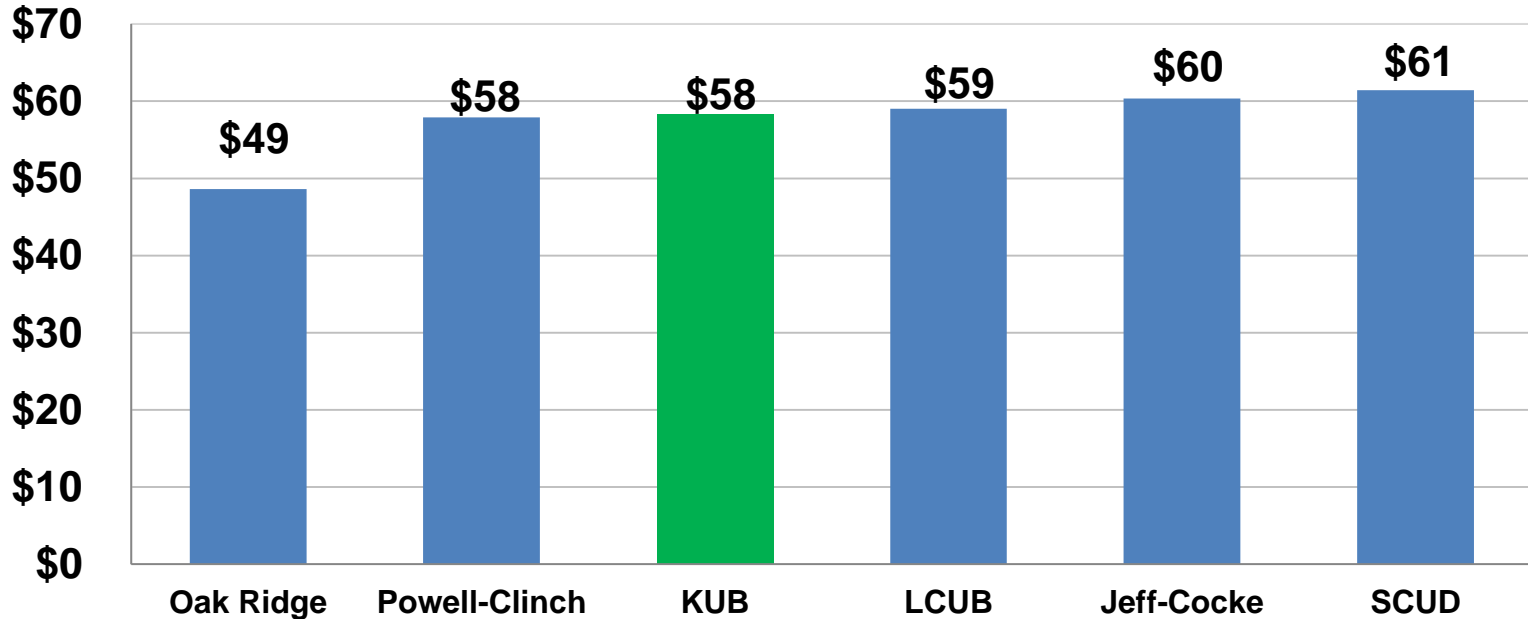
	Gas Bonds	Debt Ratio 35% or Less
<b>July 1, 2019</b>	<b>\$115M</b>	<b>31%</b>
(+) New Bonds	\$ 16M	
(-) Payments	\$ 36M	
<b>June 30, 2024</b>	<b>\$ 95M</b>	<b>25%</b>
(+) New Bonds	\$ 36M	
(-) Payments	\$ 38M	
<b>June 30, 2029</b>	<b>\$ 93M</b>	<b>23%</b>

## Debt Service Coverage



# Natural Gas Residential Bill Comparison

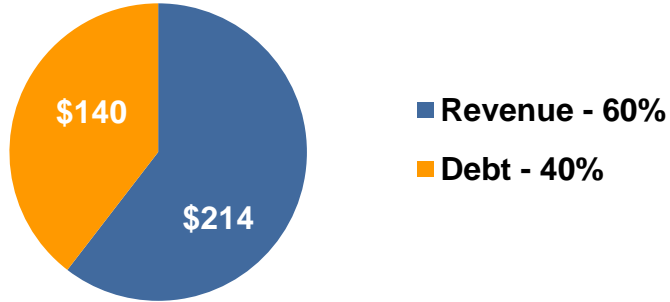
Monthly Bill (\$) – Regional Gas Distribution Companies



*Average monthly bill for 607 normalized annual therms*

# Water Plan Funding Summary

10-Year Capital = \$354 Million



Rate Increases for Consideration

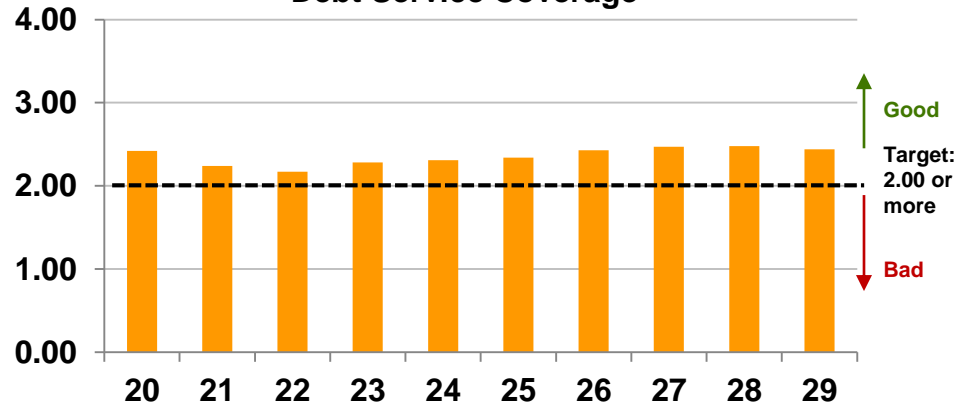
FY 21	FY 22	FY 23
5%	5%	5%

Future Projected Rate Increases

FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
5%	5%	5%	4%	4%	4%

	Water Bonds	Debt Ratio 50% or Less
<b>July 1, 2019</b>	<b>\$193M</b>	<b>51%</b>
(+) New Bonds	\$ 85M	
(-) Payments	\$ 40M	
<b>June 30, 2024</b>	<b>\$238M</b>	<b>49%</b>
(+) New Bonds	\$ 55M	
(-) Payments	\$ 53M	
<b>June 30, 2029</b>	<b>\$240M</b>	<b>41%</b>

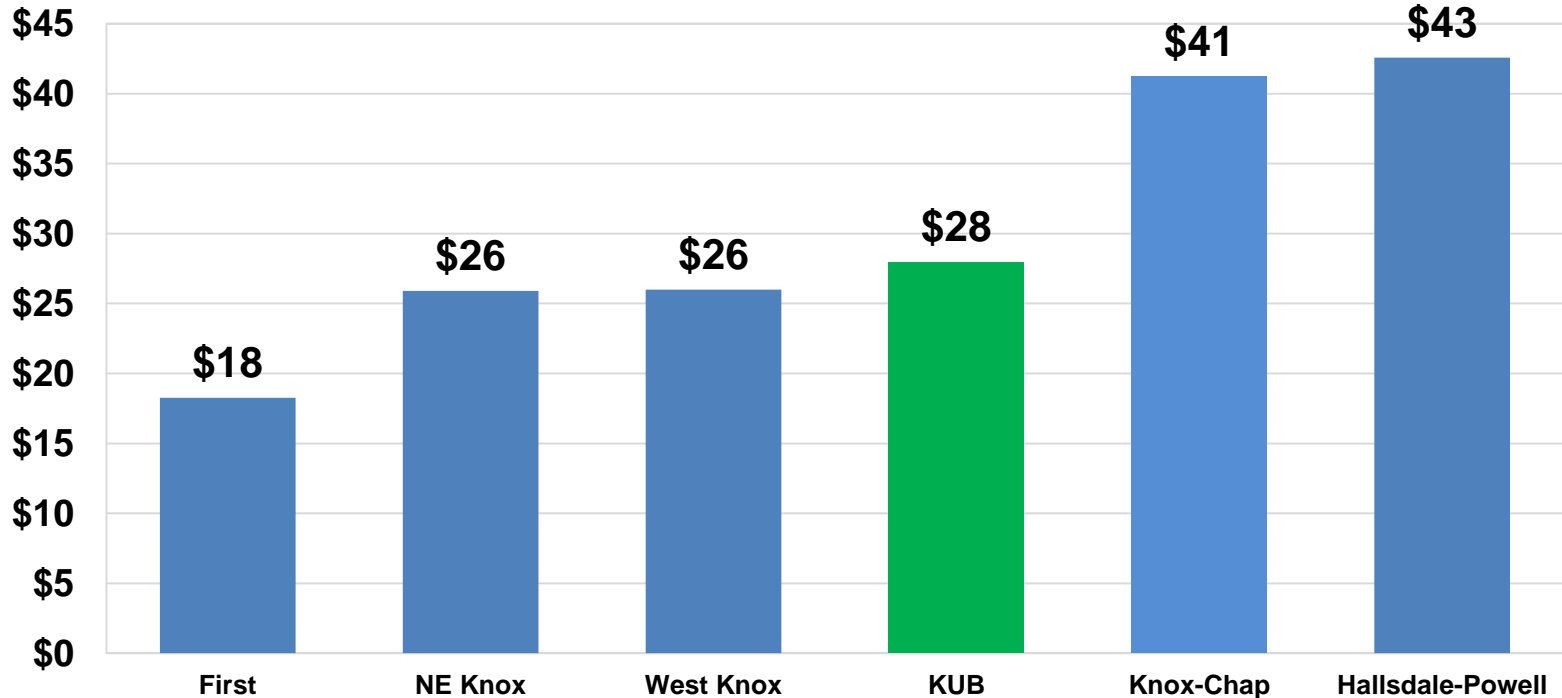
Debt Service Coverage





# Water Residential Bill Comparison

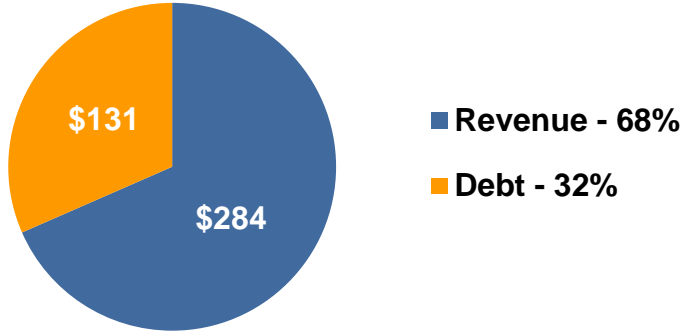
Monthly Bill (\$) – Local Water Utilities



5 CCF Monthly Use

# Wastewater Plan Funding Summary

10-Year Capital = \$415 Million



Rate Increases for Consideration

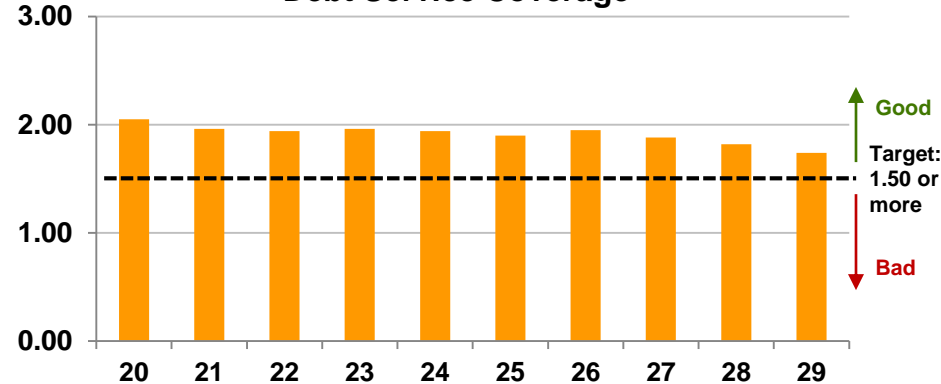
FY 21	FY 22	FY 23
2.25%	2.25%	2.25%

Future Projected Rate Increases

FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
2%	2%	2%	1%	1%	1%

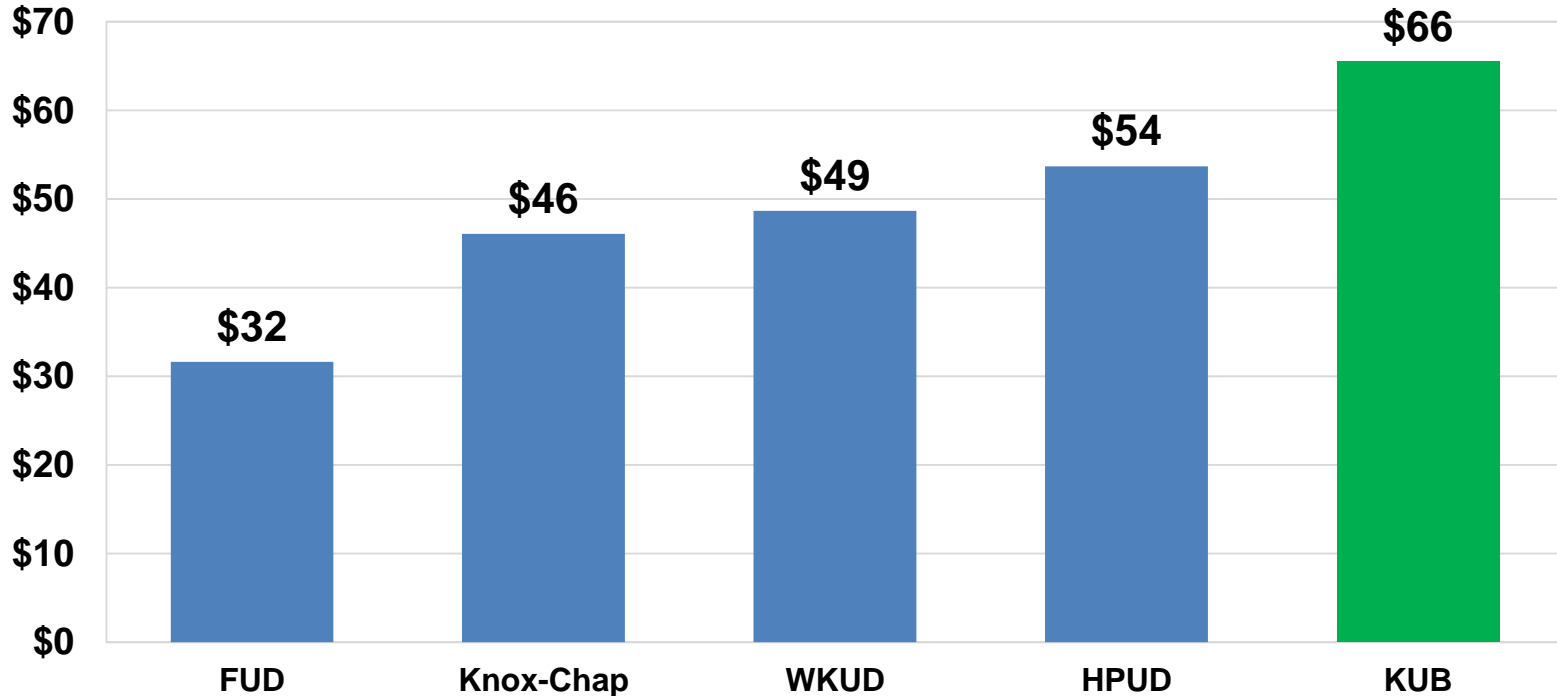
	Wastewater Bonds	Debt Ratio 60% or Less ↓
<b>July 1, 2019</b>	<b>\$512M</b>	<b>61%</b>
(+) New Bonds	\$ 73M	
(-) Payments	\$ 78M	
<b>June 30, 2024</b>	<b>\$507M</b>	<b>54%</b>
(+) New Bonds	\$ 58M	
(-) Payments	\$ 90M	
<b>June 30, 2029</b>	<b>\$475M</b>	<b>48%</b>

Debt Service Coverage



# Wastewater Residential Bill Comparison

Monthly Bill (\$) – Local Providers



*5 CCF Monthly Use*

# Century II Funding Considerations Timeline

August 2019 . . . . .	Three-Year Rates Forecast	✓
October 2019 . . . . .	Century II Update	✓
November 2019 . . . . .	10-Year Plan Financial Discussion	✓
January 2020 . . . . .	Rate Structure Discussion	
February 2020 . . . . .	Rate Structure Discussion	
April 2020 . . . . .	Financial Workshop	
May 2020 . . . . .	FY 21 Budget, Rates, and Debt Considerations	
June 2020 . . . . .	Rates (Second Reading)	

**KUB**

# Smart Thermostat Pilot

November 21, 2019



# Smart Thermostat Pilot

- TVA, in partnership with KUB, piloting smart thermostats to manage system peaks
- Participating customers receive a free, installed Ecobee smart thermostat
- TVA may adjust temperature settings by 1-4 degrees during peak demand events, up to 18 times a year
- Pilot is 2,000 smart thermostats for two years



# Eligibility Requirements

- Residential electric service with KUB
- Electric heat
- Wi-Fi service in their home
- Advanced meter
- Completed an eScore energy audit
- Scored a minimum of “6” on attic insulation and air sealing





**KUB**

# National Organization for Workforce Diversity Award

November 21, 2019



# Organization and Event Overview

- National Organization on Workforce Diversity
  - Helps advance workforce diversity initiatives
  - Chapters in Memphis, Chattanooga, Nashville
- Inaugural Inclusive Knoxville Luncheon and Awards held on November 12, 2019



# KUB Named Diversity & Inclusion Champion

- NEXT Award
  - Renee Kesler
- Diversity and Inclusion Champion
  - KUB
- Diversity Pioneer in Education
  - Knoxville College
- Diversity Trailblazer
  - Theotis Robinson



# Current Initiatives

- Diversity Team in place to oversee program
- Continued focus on diversity in employment
- Continued focus on employee development and training

**KUB**