

News Release

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For Immediate Release

KUB Presents \$739 Million Budget Proposal; Launches New Century II Program *Proposed budget includes rate increases for gas and water systems.*

KUB's staff proposed a \$739 million total budget for fiscal year 2008 to the KUB Board of Commissioners today that included gas and water rate increases. If approved, those increases will raise the average gas customer's bill about \$3.50 a month and the average water customer's bill about \$1.50 a month. KUB officials also launched Century II, a comprehensive infrastructure management and replacement program for the electric, gas, water, and wastewater systems.

Century II will help move KUB into its second century of service by improving each system's infrastructure. The new program will help provide sound planning, resource allocation, and continued, but accelerated, investment. Its initial focus will be on the water system.

"Utility infrastructure is a growing issue nationwide," said Mintha Roach, KUB President and CEO. "Like much of our nation's water infrastructure, KUB's system was built nearly a century ago for a much smaller population. Today, it must serve our growing community and meet new regulatory requirements as it ages."

For the last 10 to 15 years, KUB has focused on maintaining water distribution pipes and upgrading water tanks and the water treatment plant. KUB has been replacing about five miles of water pipes a year for more than a decade.

"We did all that without large water rate increases," Roach said. "But at five miles a year, it would take 300 years to upgrade the system. That isn't feasible. Given our system's age, it's time to start replacing aging pipes much faster."

Under the proposed plan, the five-mile pace would increase to about 14 miles per year by 2010. The proposed replacement program would focus primarily on both galvanized and cast iron pipe, two of the older pipe types in the KUB system. KUB also informed Commissioners at the Five Year Plan briefing to anticipate another water rate increase, potentially 30 percent, in fall 2009, to help bring Century II improvements up to the 14 mile pace.

Although Century II initially focuses on the water system, assessments are also under way in gas and electric. Upgrades are already under way in wastewater through the PACE 10 program. (PACE 10, which stands for Partners Acting for a Cleaner Environment, is KUB's accelerated 10- year wastewater system improvement program and is designed to help stop sewer overflows and improve area waterways.)

"Century II reflects KUB's commitment to provide reliable utility service and meet customer needs—now and in the future," Roach said. "By anticipating and addressing needs now, customers will realize long-term benefits and experience fewer service interruptions."

KUB's 2008 Budget Proposal

The 2008 budget represents a \$4.4 million or 0.60 percent increase over current year. KUB saw a decrease of \$18.6 million in Capital spending due to completion of several wastewater storage tanks in fiscal year 2007.

The budget also includes \$109.7 million for operations and maintenance expenditures, \$116.1 million for capital investments, \$36.6 million for debt service, and \$24.3 million for taxes and tax equivalent payments.

On a division basis, the total budget request of \$739 million is allocated as follows: \$448 million for the Electric Division, \$155.3 for the Gas Division, \$44.1 for the Water Division, and \$91.3 for the Wastewater Division.

The KUB Board of Commissioners will consider the proposed budget during its regular meeting at 12 noon on May 17. As anticipated in last year's Five Year Plan, increases in water and gas rates will be considered on first reading on May 17. The proposed rate increases will be considered again on second reading at the June 21 meeting. If approved on two readings, the proposed increases will take effect in September 2007 and appear on October bills.

The average gas customer, who uses about 51 therms a month, will see an increase of about \$3.50 per month with the 5.25 percent gas rate increase. The average water customer, who uses about 6 ccf a month, will see an increase of about \$1.50 with the 10 percent water rate increase.

KUB customers can expect to see more information about these proposed rate increases – and conservation efforts that can help lower their bills – before the rates take effect. Century II, like the PACE 10 wastewater improvement program, will also include letters in advance of construction projects in neighborhoods.

What Can Customers Do to Manage Their Utility Bills?

Customers should consider signing up for KUB's BalancedPay Plan. KUB averages utility usage for the previous 12 months and calculates a balanced monthly payment. That helps customers know what to expect each month and makes budgeting easier. Customers can sign up for BalancedPay on www.kub.org.

KUB also offers a variety of energy and water conservation tips on its Web site that help homeowners and renters save on their overall utility bills. At community events, KUB will also make brochures and free water conservation kits available. The kits include simple items, like water saving aerators and toilet tank displacement bags that are simple for



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renters and homeowners to install. And speakers are available for organizations and groups to talk about Century II and conservation topics. Contact KUB through the Web site for more information.

KUB is a municipal utility serving Knox and parts of seven adjacent counties and provides electric, gas, water, and wastewater services to more than 420,000 customers.

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