



May 19, 2022

FY 2022 Appropriations Amendment, FY 2023 Appropriations, & Funding Recommendations

Resolutions 1454, 1455, 1456, 1457 and 1458



Proposed FY22 Gas Budget Amendment

- Board adopted \$131.4M gas budget in May 2021
- Additional expenses related to higher wholesale natural gas costs
- Proposed increase of \$20M
- Amended FY22 gas budget \$151.4M
- Discussed with Board's Audit and Finance Committee in March

Proposed FY23 Budget Reflects Fiber Rollout and Sustains Century II Funding

- Proposed budget \$1.1B
- Up \$131M – due to fiber, filter project, and energy prices
- Capital budget \$278M
 - \$131M for Century II
 - \$79M for fiber network and services
- \$103M of new bonds help fund capital budget
- Proposed three years of water and wastewater rate increases

FY23 Key Programs and Projects

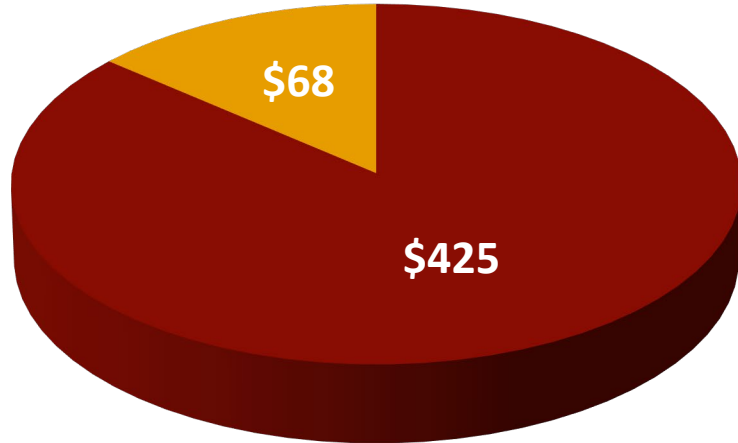
Program/Project	FY23 Appropriations
Fiber Network and Services	\$79.2M
MBW Water Filter Project	\$28.6M
Western Avenue Electric Substation	\$15.2M
Stadium-Related Utility Infrastructure	\$13.2M
Vegetation Management	\$12.9M
Customer Assistance Programs	\$ 8.6M
TDOT – Lovell Rd. High Pressure Gas	\$ 7.2M
Jones Street WW Pump Station	\$ 6.5M

Proposed FY23 Budget: \$1.1 Billion

	Electric	Gas	Water	Wastewater	Fiber	Total
Energy Cost	\$425.4	\$ 68.0	\$ ---	\$ ---	\$ ---	\$ 493.4
O&M	\$ 73.0	\$ 24.1	\$ 32.3	\$ 40.1	\$18.5	\$ 188.0
Capital	\$154.6	\$ 29.7	\$ 47.1	\$ 45.3	\$ 1.3	\$ 278.0
Debt Service	\$ 30.1	\$ 10.0	\$ 14.6	\$ 33.8	\$ 1.3	\$ 89.8
Taxes and Equivalents	\$ 21.7	\$ 8.6	\$ 5.0	\$ 6.5	\$ 0.3	\$ 42.1
Loan to Fiber	\$ 20.0					\$ 20.0
\$ in Millions	\$724.8	\$140.4	\$ 99.0	\$125.7	\$21.4	\$1,111.3

Wholesale Energy Budget Driven by Customer Demand

FY23 Wholesale Energy = \$493M

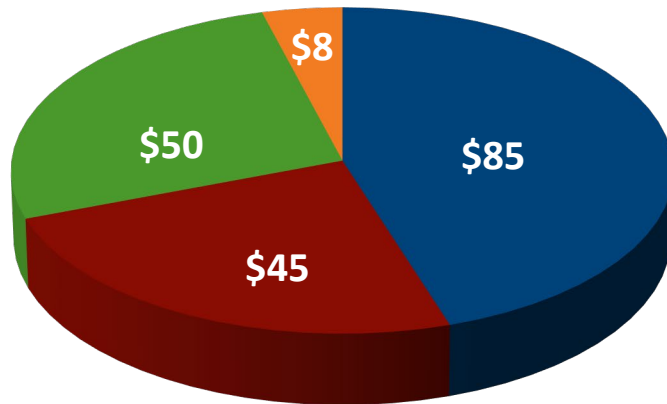


■ Electric power = 86% ■ Natural gas = 14%

- Electric power
 - 6.1 billion kWh
 - 214,000 electric customers
- Natural gas
 - 10.9 million dekatherms
 - 107,000 natural gas customers

O&M Budget Supports Systems Reliability

FY23 O&M = \$188M

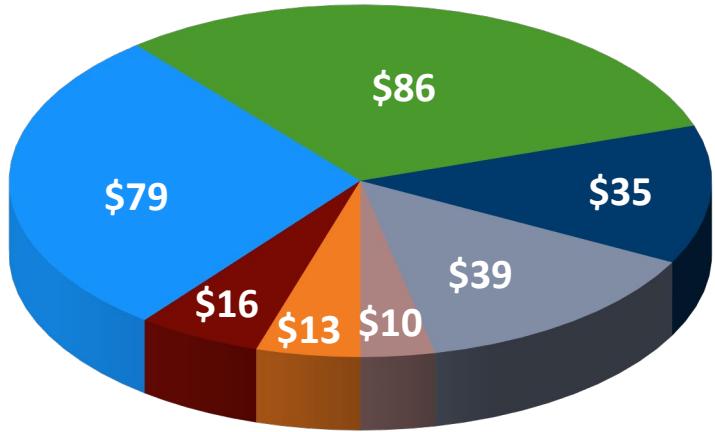


- Labor-related = 45%
- Outside services = 24%
- Materials/other = 27%
- Fiber Fees/COGS = 4%

- Labor-related costs
 - Payroll \$62M
 - Benefits and training \$15M
 - Post-employment benefits \$8M
- Outside services
 - Vegetation management \$12M
 - Facilities maintenance \$2M
- Materials/other costs
 - Utilities \$10M
 - Stock materials \$9M
 - Chemicals \$3M
- Fiber fees/COGS
 - Telephone/TV expense \$4M
 - Access/Utilization fees \$4M

Capital Budget Continues Century II Programs

FY23 Capital = \$278M

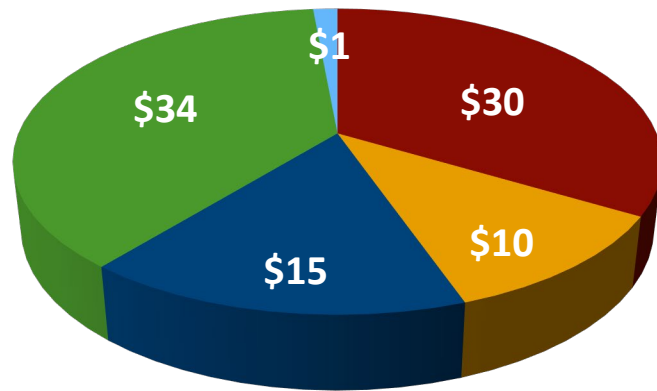


- Information technology = 5%
- Facilities/equipment = 6%
- System infrastructure = 89%
- Fiber network/services = 28%
- System improve/replace = 31%
- Plant improvements = 13%
- Growth = 14%
- Relocations = 3%

- Distribution system improvements \$96M
 - Electric substation upgrades \$19M
 - Wastewater main replacements \$15M
 - Utility relocation projects \$10M
 - Electric transmission line improvements \$9M
 - Electric distribution line improvements \$9M
 - Jones St. Wastewater Pump Station \$7M
 - Water main replacements \$5M
 - Natural gas steel main replacements \$4M
 - Pole replacement \$4M
- Fiber network and services \$79M
- Plant improvements \$35M
 - Water filter project at MBW \$29M
 - Kuwahee Treatment Plant improvements \$2M

Debt Budget Reflects Investments in Infrastructure

FY23 Debt Service = \$90M

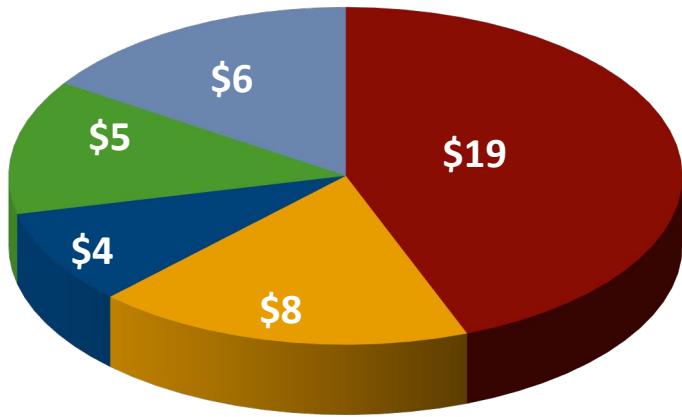


- Electric = 34%
- Natural Gas = 11%
- Water = 16%
- Wastewater = 38%
- Fiber = 1%

- FY23 principal: \$47M
- FY23 interest: \$43M
- Outstanding bonds: \$1.1B
- New bonds: \$103M
 - Electric: \$79M
 - Water: \$11M
 - Wastewater: \$13M
- Electric loan to Fiber: \$20M

KUB Payments In Lieu of Taxes (PILOTs) Support Local Governments

FY 23 Taxes and PILOTs = \$42M

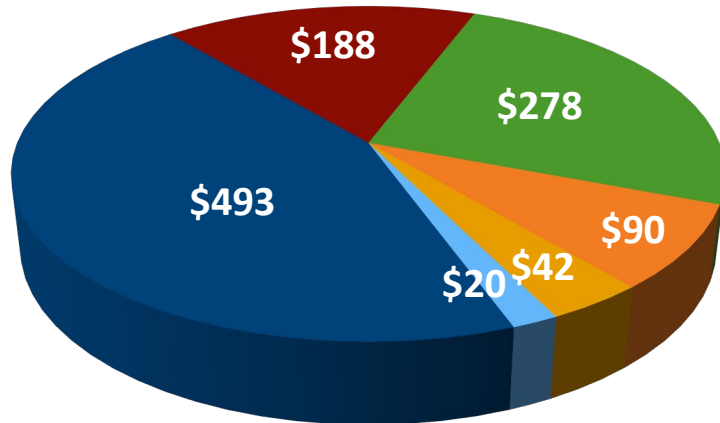


- Electric = 44%
- Natural Gas = 18%
- Water = 9%
- Wastewater = 13%
- FICA = 16%

- PILOTs \$35M
 - City \$23M
 - Knox County \$11M
 - Other counties \$1M
- Accommodates proposed City property tax increase
- Payroll tax expense \$7M

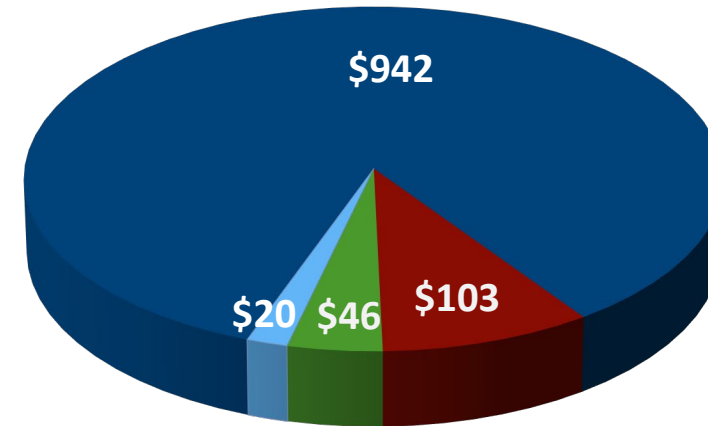
Funding FY23 Budget

Budget = \$1.1B



- Wholesale Energy = 44%
- O&M = 17%
- Capital = 25%
- Debt Service = 8%
- Taxes and Equivalentents = 4%
- Loan to Fiber = 2%

Funding = \$1.1B



- System Revenues = 85%
- Bonds = 9%
- Cash on Hand = 4%
- Loan to Fiber = 2%

Proposed Water and Wastewater Rate Increases

Long-Range Plans – Actual/Proposed Rate Increases *					
	FY21	FY22	FY23	FY24	FY25
Water	5%	5% ⇒ 2%	5%	5%	5%
Wastewater	3%	3%	4%	4%	4%

Average Residential Monthly Bill Impacts *					
	FY21	FY22	FY23	FY24	FY25
Water	-	\$0.65	\$1.40	\$1.50	\$1.60
Wastewater	-	-	\$2.60	\$2.70	\$2.75

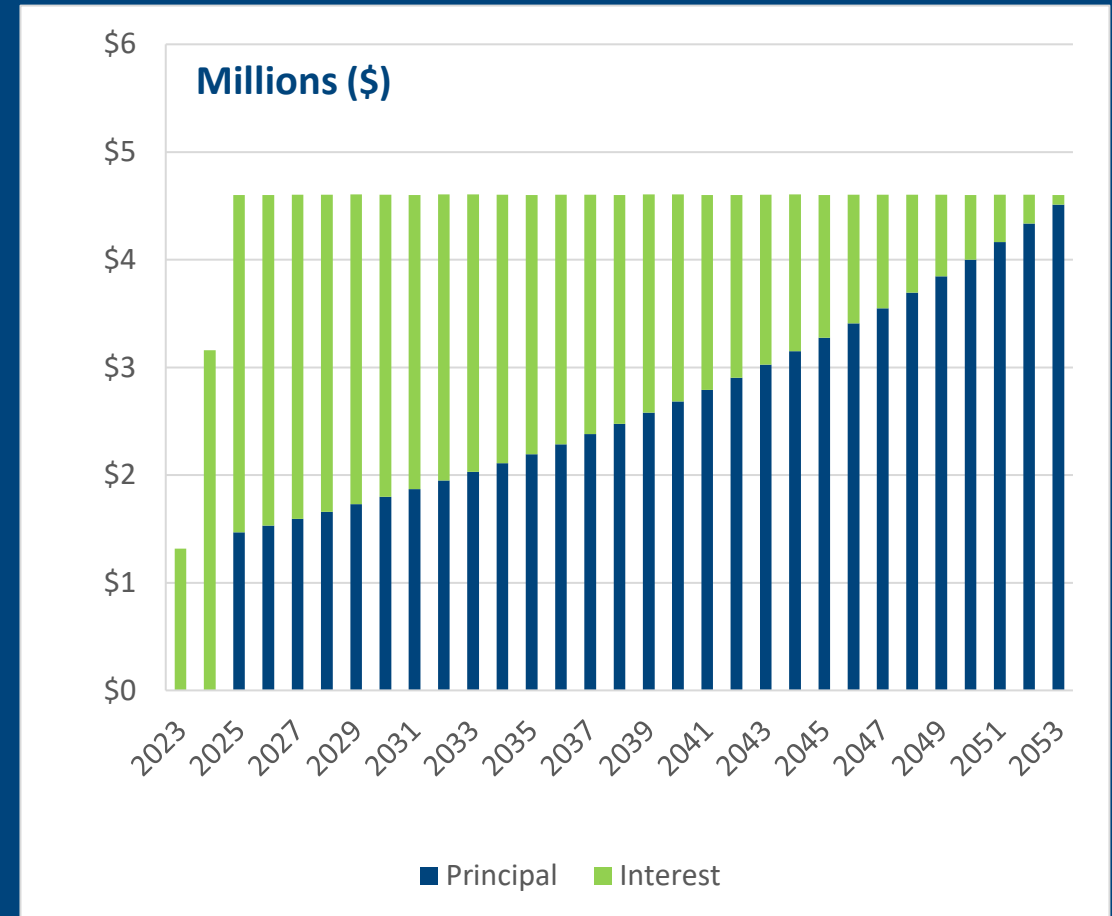
* Residential increases applied only to commodity costs

- Proposed increases needed to sustain funding for Century II and treatment plant upgrades
- Water rate increases lowered 1% per year from prior plan
- Residential bills gradually increase over three-year period
- Commercial and industrial customer impacts will vary by rate class and usage
- Initial rate increases reflected on August 2022 bills

Proposed New Electric Bonds - \$79M

- Projected interest cost: \$59M
- Budgeted interest rate: 4%
- Fully mature in 2052
- Secured solely by electric system revenues
- Competitive sale this summer/fall
- Total electric debt service: \$582M
 - Bonds \$384M
 - Interest \$198M
- \$265M of total debt service paid over next 10 years (\$150M bonds)

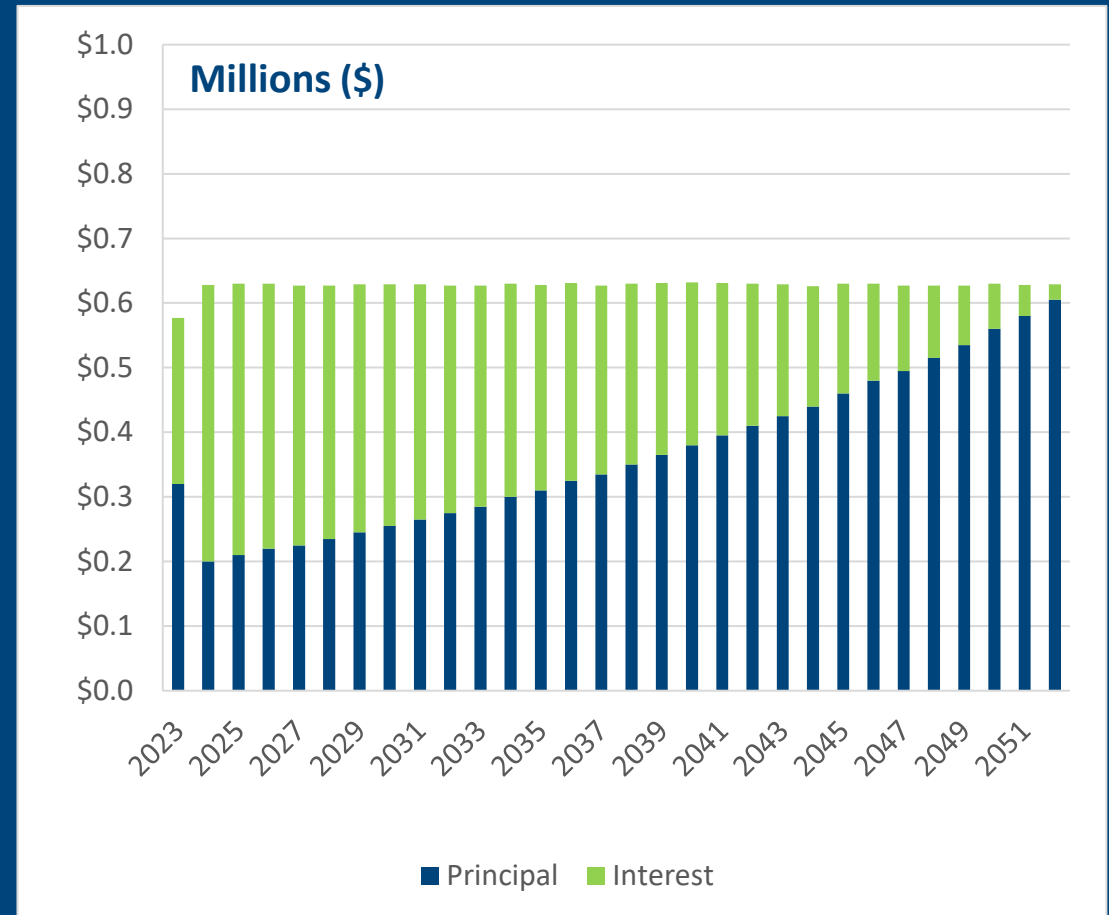
Proposed Debt Service on \$79M New Bonds



Proposed New Water Bonds - \$11M

- Projected interest cost: \$8M
- Budgeted interest rate: 4%
- Fully mature in 2052
- Secured solely by water system revenues
- Competitive sale this summer/fall
- Total water debt service: \$290M
 - Bonds \$203M
 - Interest \$87M
- \$144M of total debt service paid over next 10 years (\$88M bonds)

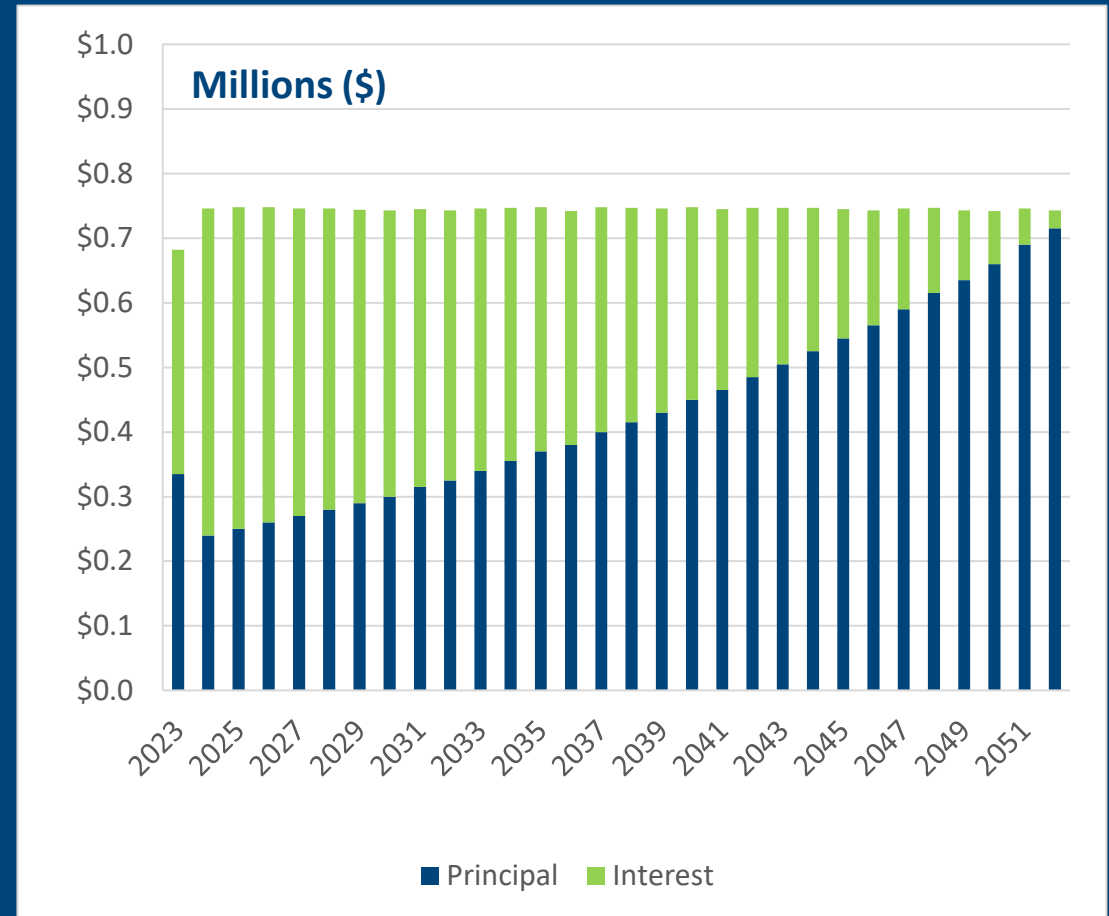
Proposed Debt Service on \$11M New Bonds



Proposed New Wastewater Bonds - \$13M

- Projected interest cost: \$9M
- Budgeted interest rate: 4%
- Fully mature in 2052
- Secured solely by wastewater system revenues
- Competitive sale this summer/fall
- Total wastewater debt service: \$745M
 - Bonds \$485M
 - Interest \$260M
- \$327M of total debt service paid over next 10 years (\$162M bonds)

Proposed Debt Service on \$13M New Bonds



Estimated Professional Fees for Bonds

Cost	Professional Firm	\$ Amount
Financial Advisor	Cumberland Securities	\$ 97,000
Bond Counsel	Bass Berry & Sims	\$ 82,000
Rating Agency	Moody's Investors Service	\$ 87,000
Rating Agency	Standard & Poor's	\$ 106,000
Paying Agent	Regions Bank	\$ 2,000
		\$374,000
Other Costs (POS, Advertising, etc.)		\$ 40,000
		\$414,000

FY23 Commitment Appropriations

- Authorizes commitment of expenditures subsequent to June 30, 2023, for commitments entered into on or before June 30, 2023
- FY 23 total: \$130.6M
 - Electric \$42.7M
 - Natural Gas \$11.0M
 - Water \$46.6M
 - Wastewater \$27.3M
 - Fiber \$3.0M

Projects Supporting Need for Commitment Appropriations

- Electric transmission line improvements
- Electric substation improvements
- MBW water plant filters
- Gas distribution steel main replacement
- Wastewater system main replacement
- Utility relocations for highway improvements
- Vehicles and equipment

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Resolution 1454

- Increases FY22 gas budget appropriations by \$20M
- Appropriations expire June 30, 2022

Resolution 1455

- Adopts three years of annual rate increases for water and wastewater service
- Rate increases effective July (August bills)
- Requires two readings (second in June)

Resolution 1456

- Requests City Council authorization of new bonds
 - Electric up to \$79M
 - Water up to \$11M
 - Wastewater up to \$13M
- In compliance with KUB Debt Management Policy
- Board adopts all provisions of City Council bond resolutions

Resolution 1457

- Adopts FY23 budget appropriations
 - Electric \$724.8M
 - Natural Gas \$140.4M
 - Water \$99.0M
 - Wastewater \$125.7M
 - Fiber \$21.4M

Resolution 1458

- Adopts FY23 commitment appropriations
 - Electric \$42.7M
 - Natural Gas \$11.0M
 - Water \$46.6M
 - Wastewater \$27.3M
 - Fiber \$3.0M

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Round It Up Partners

Resolution 1459



Round It Up Overview

- Three-year pilot began in 2015
- Ongoing program approved in March 2018
- Funds from voluntary customer contributions
- Provides residential home weatherization for low-income homeowners and renters
- Administered by Knoxville-Knox County Community Action Committee (CAC)



Round It Up Results

- \$4.9M in customer contributions
- 595 homes weatherized with customer contributions
- \$200 in annual average customer bill savings
- Nearly 500 customers waiting for service



595

Weatherization

\$15-20

MONTHLY

AVERAGE CUSTOMER
BILL SAVINGS



483

CUSTOMERS WAITING

Weatherization Programs

Program	Period	Funding*	Homes Weatherized
Knoxville Extreme Home Energy Makeover Administered by CAC	September 2015 – September 2017	\$15M	1,278
Round It Up Administered by CAC TVA Home Uplift funding began in 2018	May 2015 – March 2022	\$4.9M \$1.6M	595
TVA Home Uplift Administered by CLEAResult	April 2021 – March 2022	\$1.3M	203
Total		\$22.8	2,076

***Additional weatherization funding**

Federal Home Loan Bank of Cincinnati grant - \$500,000

Tennessee Department of Environmental Conservation grant - \$750,000

KUB Weatherization Commitment - \$4,300,000

Resolution 1459

- Amends Resolution 1374 by authorizing the Round It Up Program to be administered by CAC and/or other agencies
- Authorizes the President and CEO to identify and select those agencies

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Bond Sale and Refinancing Results



\$56.8M of New Bonds Sold

- Bonds fund Electric and Wastewater capital improvements
- Sold competitively on April 4, 2022
- Bonds mature over 30 years
- Sale generated \$62.3M, due to premiums
- Good bids and a large number of bidders
- Rates were under budget of 3.5%, but are increasing

New Ratings Issued for Electric, Water, and Wastewater Systems

Standard & Poor's

System	Current Rating	Current Outlook	New Rating	New Outlook
Electric	AA	Negative	AA-	Stable
Gas	AA	Stable	AA	Stable
Water	AAA	Stable	AAA	Stable
Sewer	AA+	Stable	AA+	Positive

Moody's

System	Current Rating	Current Outlook	New Rating	New Outlook
Electric	Aa2	Stable	Aa2	Stable
Gas	Aa2	Stable	Aa2	Stable
Water	Aa1	Stable	Aa1	Stable
Sewer	Aa2	Stable	Aa2	Stable

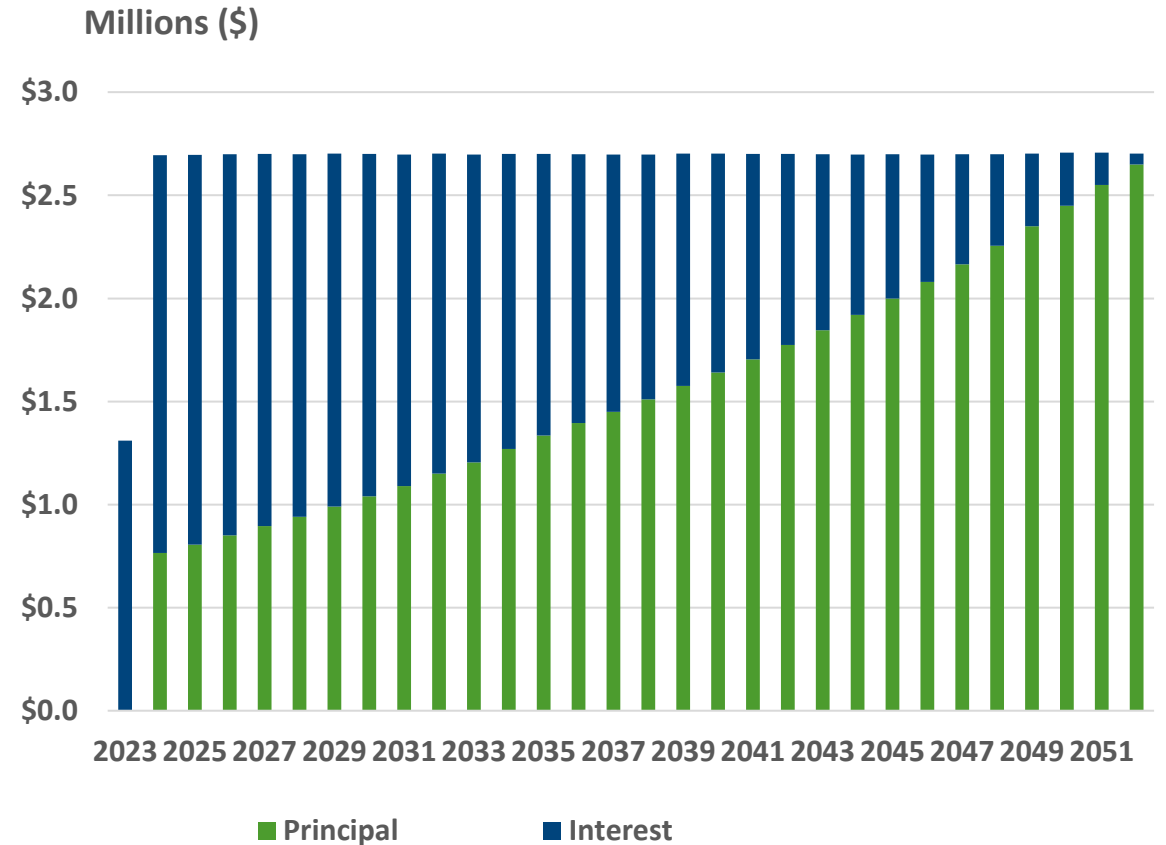
Bids on \$45.7M Electric Bonds

Bidder	True Interest Cost
Jefferies LLC	3.357
FHN Financial Capital Markets	3.365
Citigroup Global Markets Inc.	3.368
Hilltop Securities	3.369
KeyBanc Capital Markets	3.371
BoA Securities	3.378
RBC Capital Markets	3.380
J.P. Morgan Securities LLC	3.381
Piper Sandler & Co.	3.387
Robert W. Baird & Co.	3.389
Wells Fargo Bank, NA	3.394
Huntington Securities, Inc.	3.426

Electric New Debt Issue Profile

New Bonds	\$45,650,000
Interest Cost	\$33,971,000
New Debt Service	\$79,621,000

- Savings compared to budget: \$2.4M
- Debt Ratio: 40%
- Total debt outstanding: \$307M



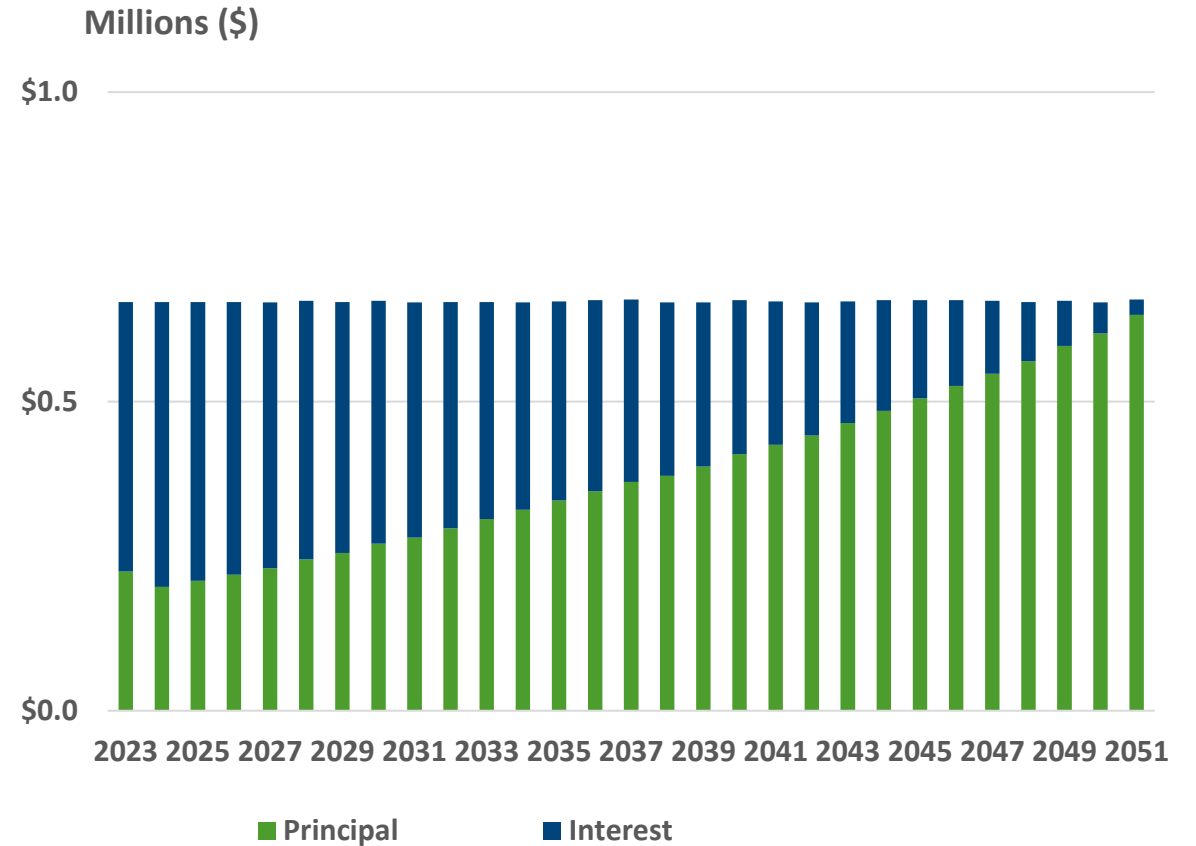
Bids on \$11.1M Wastewater Bonds

Bidder	True Interest Cost
FHN Financial Capital Markets	3.400
Robert W. Baird & Co.	3.404
Piper Sandler & Co.	3.406
KeyBanc Capital Markets	3.419
Hilltop Securities	3.422
Raymond James & Associates, Inc.	3.422
Wells Fargo Bank, NA	3.430

Wastewater New Debt Issue Profile

New Bonds	\$11,125,000
Interest Cost	\$8,071,000
New Debt Service	\$19,196,000

- Savings compared to budget: \$1.1M
- Debt Ratio: 56%
- Total Debt Outstanding: \$474M



Professional Fees for New Bonds

Cost	Professional Firm	Fee
Financial Advisor	Cumberland Securities	\$72,500
Bond Counsel	Bass, Berry & Sims	\$62,000
Rating Agency	Moody's	\$70,000
Rating Agency	Standard & Poor's	\$63,000
Paying Agent	Regions Bank	\$1,500
		<hr/>
		\$269,000
Other Costs (POS, OS, Advertising, Misc.)		\$27,000
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		\$296,000

Refinancing Saves \$4M

System	Refunding Bonds	Average Rate	Current Bonds Average Rate	Debt Service Savings	Issuance Cost
Electric	\$ 27.2M	3.55%	4.14%	\$ 2.0M	\$ 88K
Water	\$ 14.9M	3.52%	3.86%	\$.7M	\$ 100K
Wastewater	\$ 23.2M	3.68%	3.96%	\$ 1.3M	\$ 79K
Total	\$ 65.3M			\$ 4.0M	\$ 267K

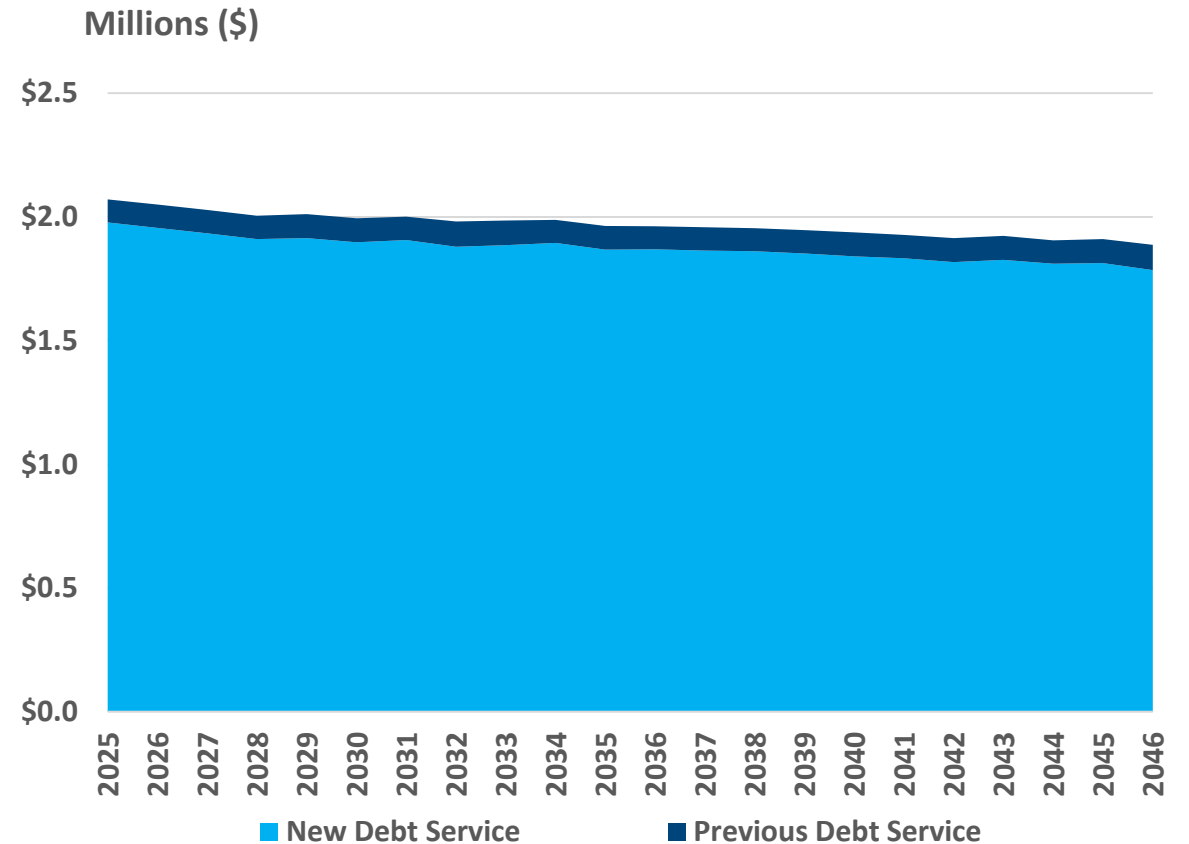
Bids on \$27.2M Electric Refunding Bonds

Bidder	True Interest Cost
Robert W. Baird & Co.	3.552
Jefferies LLC	3.576
KeyBanc Capital Markets	3.595
Hilltop Securities	3.630
FHN Financial Capital Markets	3.646
Wells Fargo Bank, NA	3.655
Huntington Securities, Inc.	3.695
RBC Capital Markets	3.726

Electric Refinancing Saves \$2M

Previous Debt Service	\$45,096,000
New Debt Service	\$43,116,000
Savings	\$1,980,000

- Bonds fully mature in July 2046
- Electric outstanding debt reduced \$1.7M



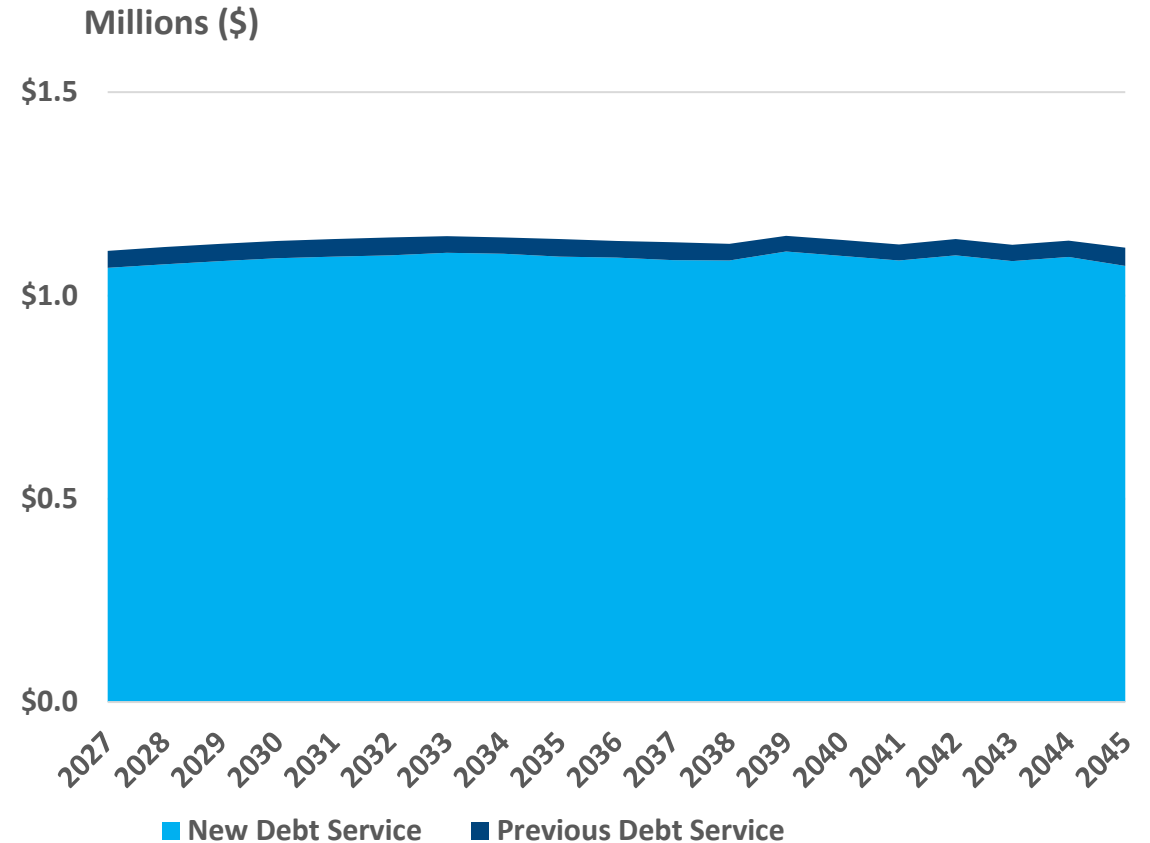
Bids on \$14.9M Water Refunding Bonds

Bidder	True Interest Cost
Robert W. Baird & Co.	3.513
Huntington Securities, Inc.	3.579
Hilltop Securities	3.608
Wells Fargo Bank, NA	3.650

Water Refinancing Saves \$0.7M

Previous Debt Service	\$23,666,000
New Debt Service	\$22,973,000
Savings	\$693,000

- Bonds fully mature in March 2045
- Water outstanding debt reduced \$0.1M



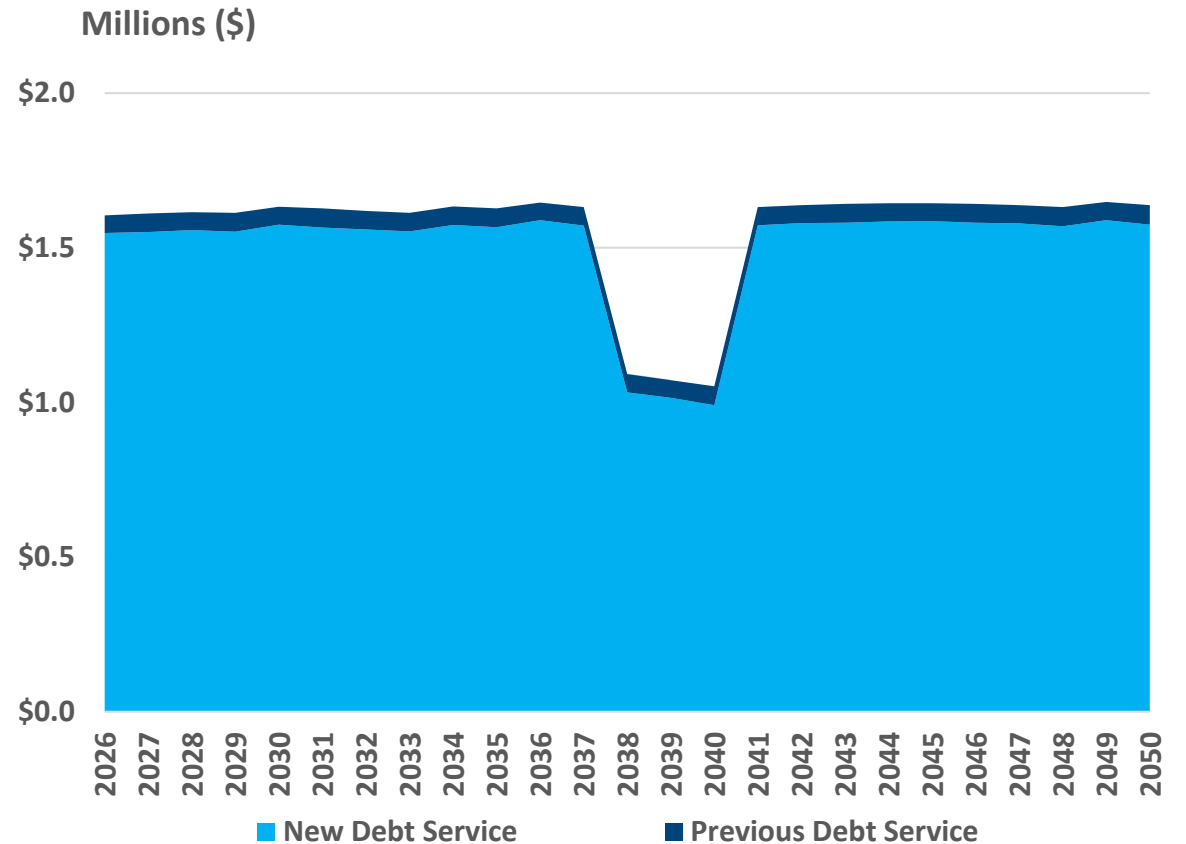
Bids on \$23.2M Wastewater Refunding Bonds

Bidder	True Interest Cost
Hilltop Securities	3.679
Wells Fargo Bank, NA	3.700
Morgan Stanley & Co., LLC	3.774
Robert W. Baird & Co.	3.788
KeyBanc Capital Markets	3.899

Wastewater Refinancing Saves \$1.3M

Previous Debt Service	\$41,876,000
New Debt Service	\$40,599,000
Savings	\$1,277,000

- Bonds fully mature in April 2050
- Wastewater outstanding debt reduced \$1.4M



Professional Fees for Refinancing

Cost	Professional Firm	Fee
Financial Advisor	Cumberland Securities	\$107,000
Bond Counsel	Bass, Berry & Sims	\$80,000
Rating Agency	Moody's	\$19,000
Rating Agency	Standard & Poor's	\$22,000
Paying Agent	Regions Bank	\$3,000
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		\$231,000
Other Costs (POS, OS, Advertising, Misc.)		\$36,000
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		\$267,000

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May 19, 2022

Diversity, Equity, and Inclusion



Diversity, Equity, and Inclusion (DEI)

- 2016 – Established Diversity Strategic Team
 - Increasing diversity to reflect the communities we serve
 - Promoting an inclusive culture
 - Ensuring diverse leadership across KUB
- 2021 – Five-Year Strategic Plan
 - Goal: For every employee to feel valued, have a sense of belonging, and to feel included and safe
 - Invest in DEI education for all employees
 - Build management competency around DEI
 - Analyze and improve hiring processes
 - Refresh promotional processes
 - Expand community partnerships
 - Hire a full-time DEI leader

DIVERSITY, EQUITY, &
inclusion

New Staff to Support DEI Strategic Effort

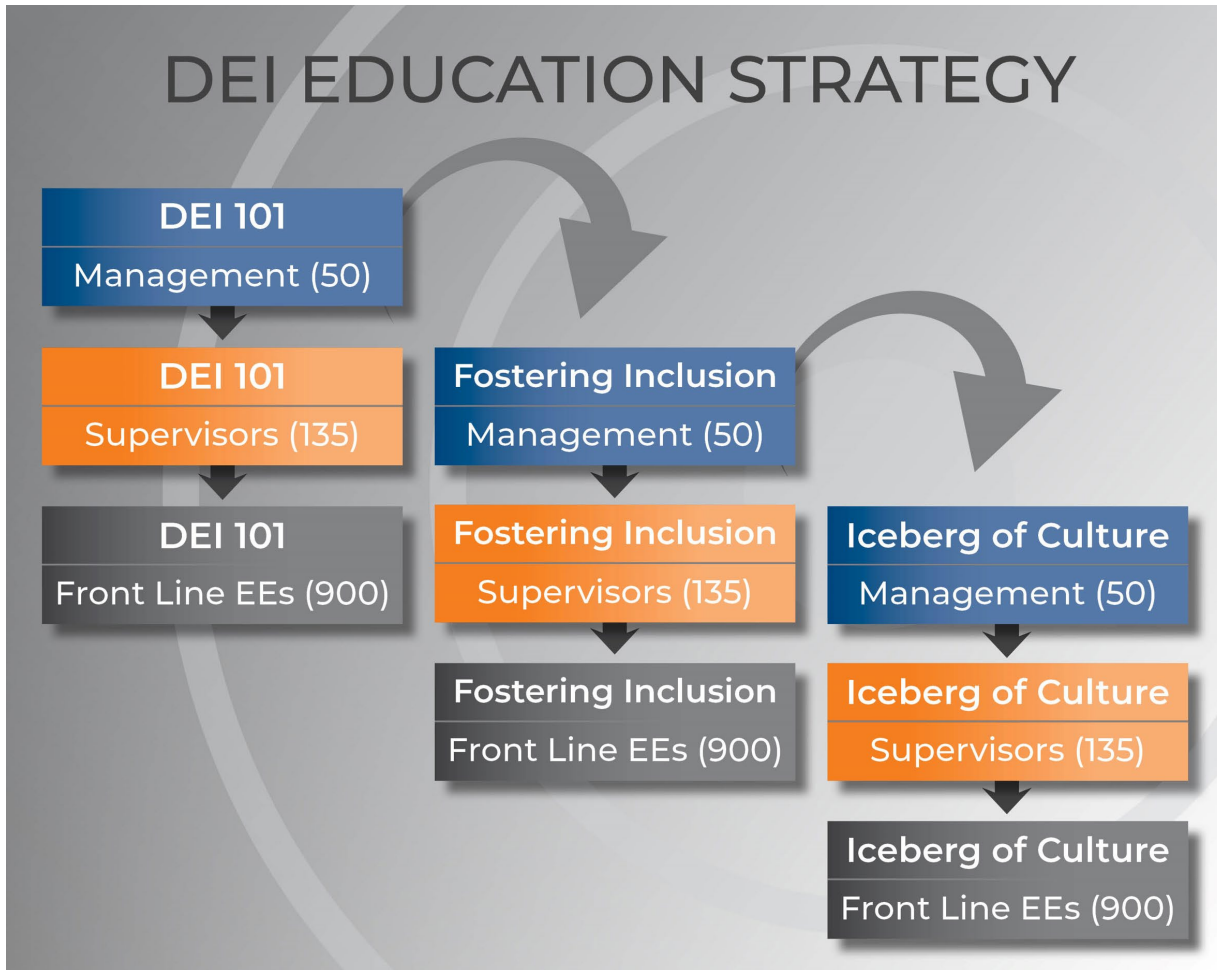


Tanisha Baker – DEI Analyst



Amy Kennedy – DEI HR Analyst

Education and Skills Development





- Education is tailored to the role and includes:
 - DEI terminology
 - Building and fostering an inclusive culture
 - Cultural competence
- Cascading training model
- Built-in accountability

Education and Skills Development

- Multiple platforms used to share DEI content with all employees
 - Note from Gabe
 - Weekly articles in electronic newsletter
 - Message monitors
 - DEI SharePoint site
- Continuing Conversations with DEI Staff

Resources

 Meet the DEI team

 Defining Diversity, Equity, and Inclusion

 What is DEI at Work? [video]

 39 Types of Diversity in the Workplace

 30 Everyday Inclusion Actions

 Top 10 Benefits of Diversity in the Workplace

 Inclusion Starts With I [video]

 DEI Update from Gabe - Feb '22

Each month is full of holidays, celebrations, and remembrance days.

What are Diversity, Equity, and Inclusion?



**“Diversity is Being Invited to the Party;
Inclusion is being asked to Dance”**

Verna Myers, Diversity and Inclusion Expert

Inclusion is...

intentional behaviors that support a sense of belonging and respect individual uniqueness

1 of 3

Weekly Meter Articles



Autism Acceptance Employee
Spotlight: Tim and Christian

**HISTORIC
WOMEN IN
UTILITIES**



Women in Utilities



International Women's Day
Employee Spotlight: Amber Ray

Employee Experience

- Recruiting
 - Modernized recruiting materials to attract today's job seekers
 - Bias awareness education
 - Began advertising on DiversityJobs.com
 - Developing a professional diversity pipeline
- Retention
 - Created the “Employees on the Move” document
 - Created Inclusive On-boarding checklist
 - Established 90-day new hire survey



90-Day Survey Shows Positive Results



*64 out of 100 new hires responded to the survey

Community Partnerships

- Job Fair
 - Outreach conducted to over 36 community partners
 - 200 people attended the job fair
 - Nine job fair applicants hired / 88% people of color
- KUB staff active in the community
 - Knoxville Area Urban League
 - YWCA of Knoxville and the Tennessee Valley
 - Wesley House
 - And a lot more ...



Community Partnerships Help Grow our Talent Pipeline

- Sports Authority internship
- TeenWork Expansion
- KUB Utility Apprentice Program
 - One-to-two-year program
 - No experience required

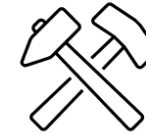


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Pathway Options

Construction, Maintenance, Transportation, Meters, Plant Operations

2



Basic Skills Training

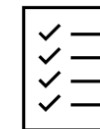
safety, driving, hazardous materials



3

KUB Education – job shadowing and classwork

4



On the Job Training/Evaluations – opportunities for increased responsibility and pay



5

Permanent Employment – fully functional employee at market pay range

Apply at [KUB.org/careers](https://www.kub.org/careers)

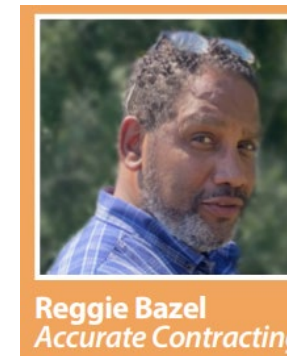
Community Partnerships

- Supplier Diversity Programs Minority and Woman Business Enterprise Program (MBE/WBE)
 - Small Business Program (SBE)
- Administered within KUB Procurement
- Nikitia Thompson, Program Coordinator
 - Recruiting and creating awareness
 - Providing community education and outreach
 - Offering technical assistance
 - Monitoring and reporting results



Community Partnerships

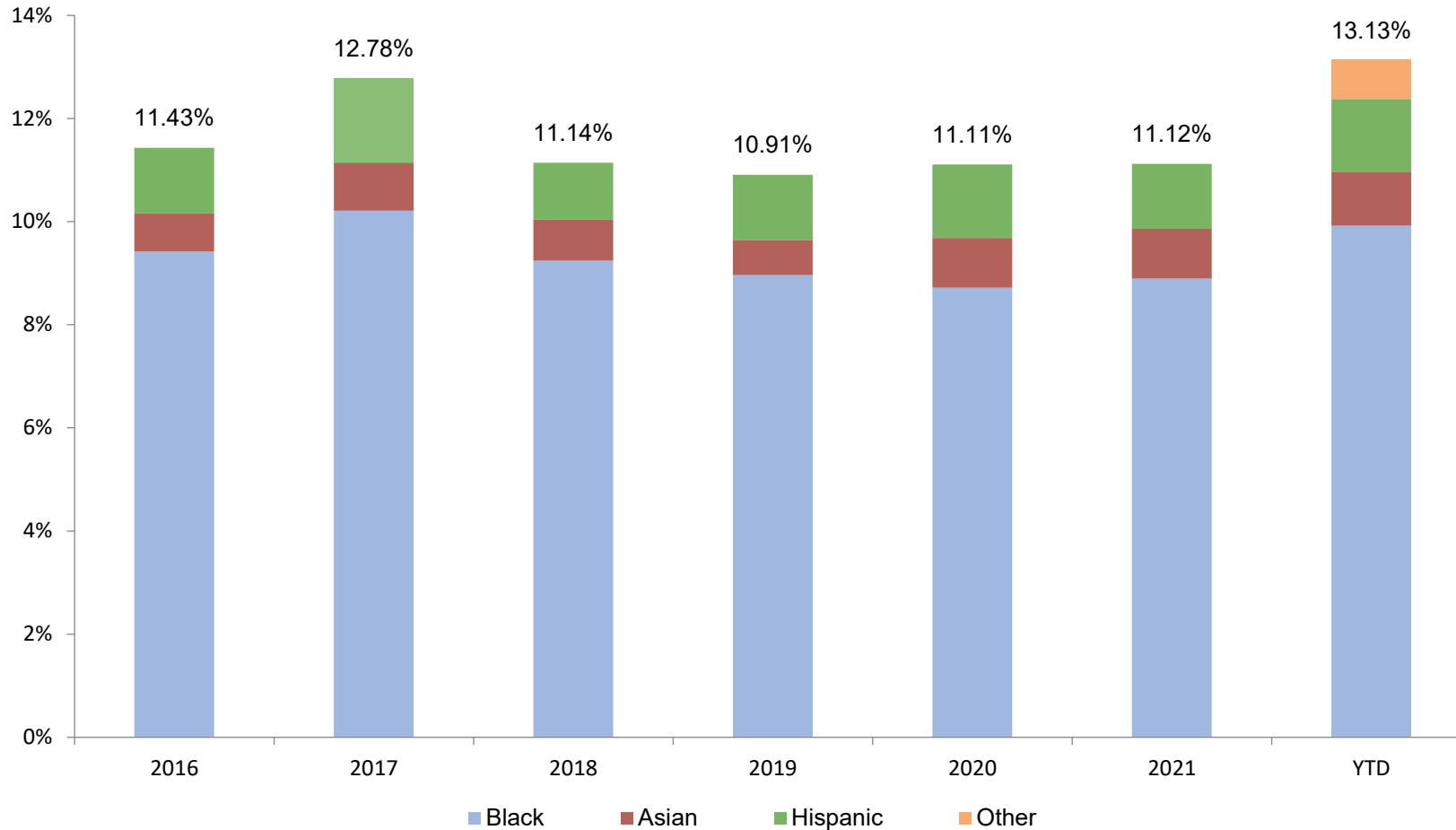
- Minority and Woman Business Enterprise Program (MBE/WBE)
 - 100 MBE/WBE vendors currently working with KUB
 - Over \$200M in contracts in the past 11 years
- Small Business Program (SBE)
 - 50 or fewer employees and maximum annual revenue of \$10M
 - For purchases from \$10,000 – \$100,000
 - Expect to award more than \$500K in FY22



Contract Awards

- Fleming Operations Center office upgrade
- Second three-year contract installing 110v outlets for Natural Gas Water Heater program

Workforce Diversity at a Glance



Full Time Hiring Stats		
	FY21	FY22 YTD
Total Hires	70	110
POC Hires #	8	30
POC Hires %	11.43%	27.27%

Students		
Race	Count	Percent
Hispanic	3	6.82%
Black	4	9.09%
Asian	1	2.27%
POC Total:	8	18%
White	36	82%
Grand Total	44	100%

Leadership Diversity at a Glance

- Leadership Development Program
 - 16% of the 123 LDP graduates are people of color
 - 67% of management are LDP graduates
- Management Team
 - 31% are females
 - 10% are people of color
 - 18% Baby Boomer, 59% Gen X and 23% Millennial

Five-Year DEI Strategic Plan is Well Underway

- ✓ Hire a full time DEI leader
- ✓ Invest in DEI education for all employees
- ✓ Build management competency around DEI
- ✓ Analyze and improve hiring processes
- ✓ Refresh promotional processes
- ✓ Expand community partnerships

KUB