



April 18, 2024

Fiscal Year 2025 Long Range Plan



KUB | BLUEPRINT



Our Vision

KUB creates connections and enhances the quality of life in our East Tennessee communities so everyone can thrive.

Our Mission

KUB exists to serve its customers as a trusted partner and steward, providing industry-leading energy, water, and fiber optic services.

We Value

Our Customers

- Our services are safe, reliable, and affordable
- We are committed to great customer service
- Our decisions consider everyone's needs

Our Co-workers

- We put safety first and take care of each other
- We take pride in our hard work and expertise
- We invest in our people

Our Community

- We are committed to a cleaner environment
- We are personally invested in our community
- We help our region grow

Our Culture

- We always do our best and strive for better every day
- We hold ourselves to high ethical standards
- We value diversity, equity, inclusion, and belonging for all

Fiscal Year (FY) 2024 – Year in Review

- Continued award-winning performance
- Operational achievements
 - Western Avenue substation
 - Water plant filters project
 - Boyd's Bridge water and wastewater response
 - Major gas project at Lovell Road
 - Service level improvements in the Call Center
 - KUB Community Solar success
 - Cold weather performance in January
- Progress on strategic initiatives

FY24 Strategic Initiative: Inflation Response Plan

- Cross-functional teams
 - Reviewed operations and capital budget
 - Assessed long-term funding strategies
 - Pursued federal, state, and local funding opportunities
- Blueprint values
 - Balanced perspective
 - Decisions that consider everyone's needs
 - Provide industry-leading services



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Inflation Response Plan Process

- November – workshop with Board
- December – continued analysis
- January – follow up Board presentation
- February – discussion with Community Advisory Panel
- March – final review of plan and financing
- April – presentation of final recommendations

Inflation Response Plan Summary

- Inflation has had an undeniable impact on KUB and its customers
- Century II strategy continues to be the best way to provide reliable, affordable, and safe service
 - We've lost some ground over the last few years
 - As our systems age, more funding is needed to maintain a sustainable pace
- Available debt capacity is limited
- Rate increases are needed in all systems
 - Water and wastewater are in line with prior plans
 - Electric and gas require larger shifts

Financial Highlights

- Long range plan projections through FY30
- Proposed FY25 budget - \$1.2 billion
 - Represents an increase of \$66 million, or 6%
 - Includes capital budget of \$297 million
 - \$111 million in new bonds
 - O&M budget up \$21 million
- Plan includes proposed rate increases in all divisions
 - Previously presented in January
 - Modification to FY27 electric rate increase

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.

Agenda

- Electric and Natural Gas – John Gresham
- Water and Wastewater – Kurt Stafford
- Break
- Fiber – Jamie Davis
- Financials – Mark Walker



April 18, 2024

Electric Division



Electric System

Customers: 218,344

Service Territory:
688 square miles

Electric Lines: 5,485 miles

Distribution Overhead: 4,075 miles

Distribution Underground: 1,144 miles

Transmission: 266 miles

Infeed Substations: 10

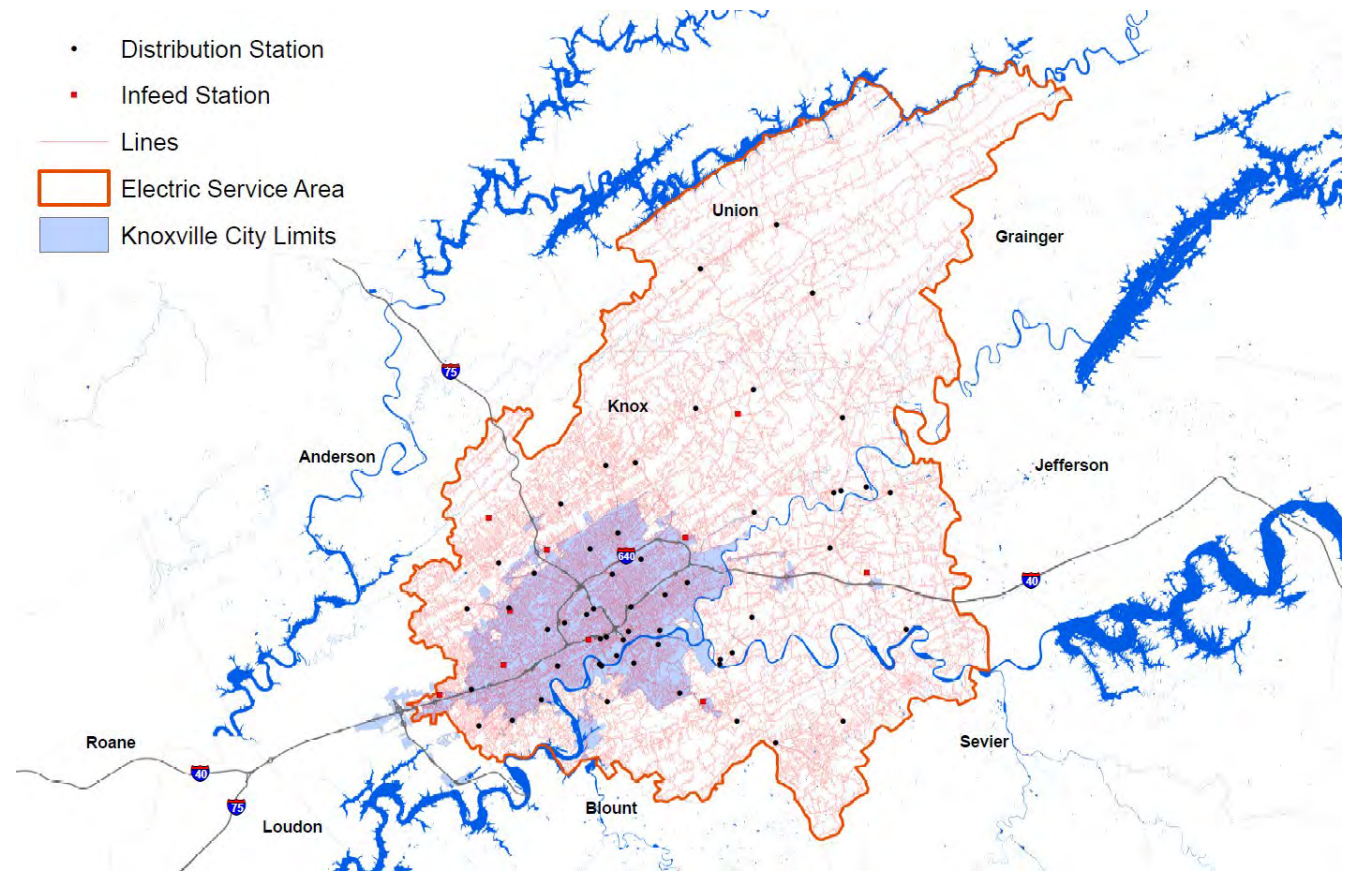
Substations: 64

System Capacity: 3,360 MW

Peak Hourly Demands:

Winter: 1,350 MW (Jan. 2024)

Summer: 1,235 MW (Aug. 2007)

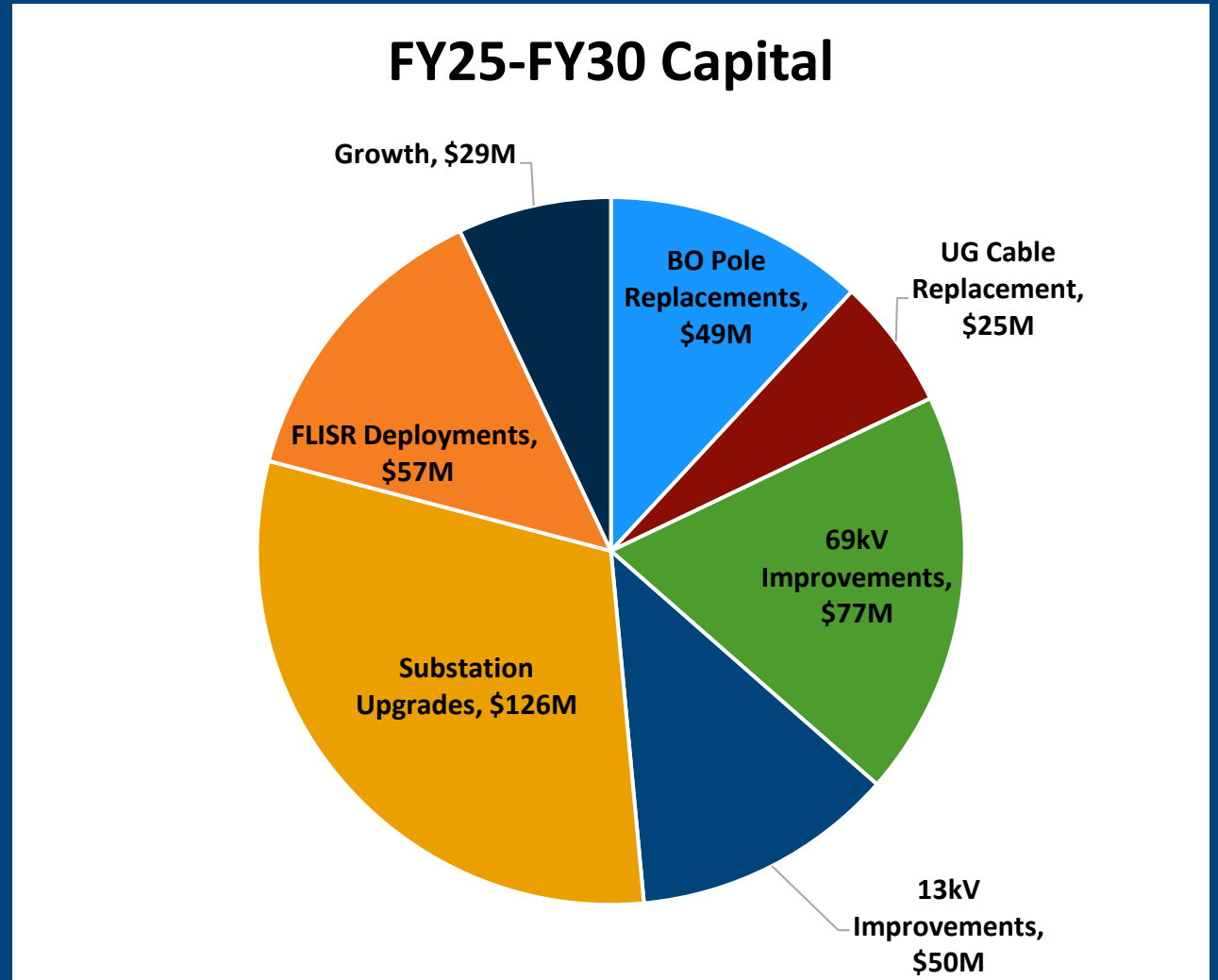


Electric Division Overview

	Electric			Gas			Water			Wastewater			Fiber		
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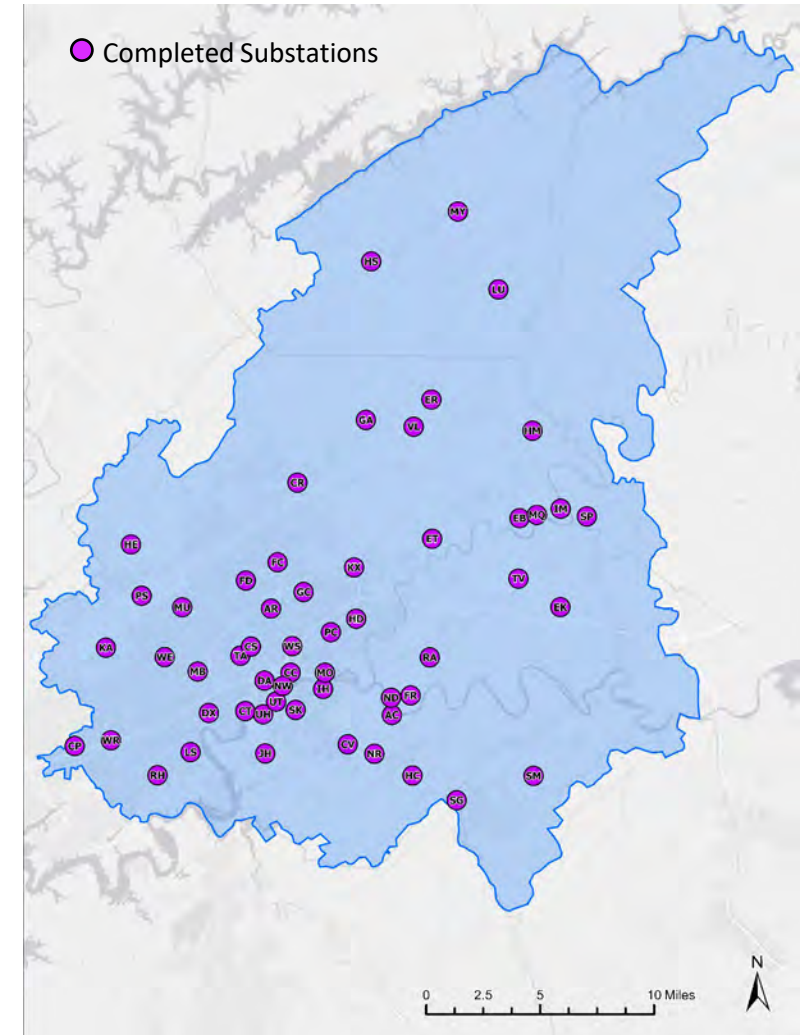
Electric Infrastructure Investments

- FY25 \$62M
- FY26-FY30 \$385M
- Key assets
 - Substations
 - Transmission system
 - Distribution system
 - FLISR deployment



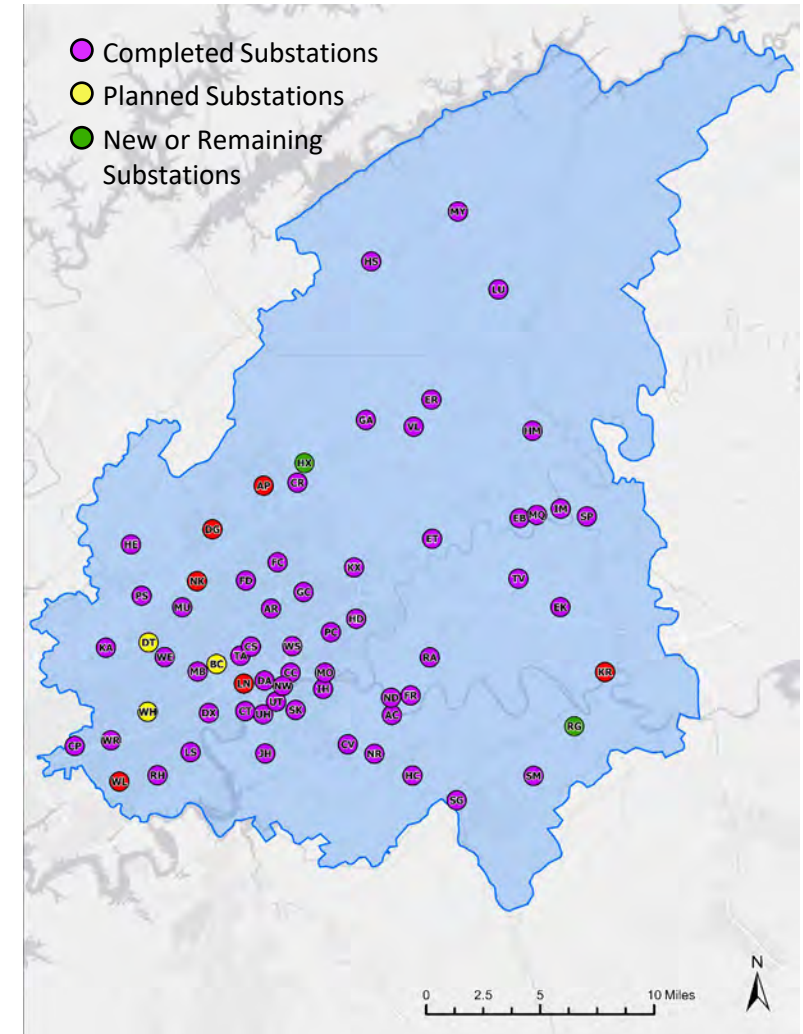
Substations

- Station refurbish (\$22.3M)
 - Dolltown and start West Hills
 - Five additional stations (FY26-FY30)
 - Program completion in FY33
- New substations (\$29.7M)
 - Rays Gap (FY26)
 - Halls (FY28)
- Increase capacity in seven substations (\$31.1M)
 - Ball Camp (FY25)
 - West Hills, North Knox, Anderson Pike, Lonsdale, Kodak Russell, and Westland



Substations

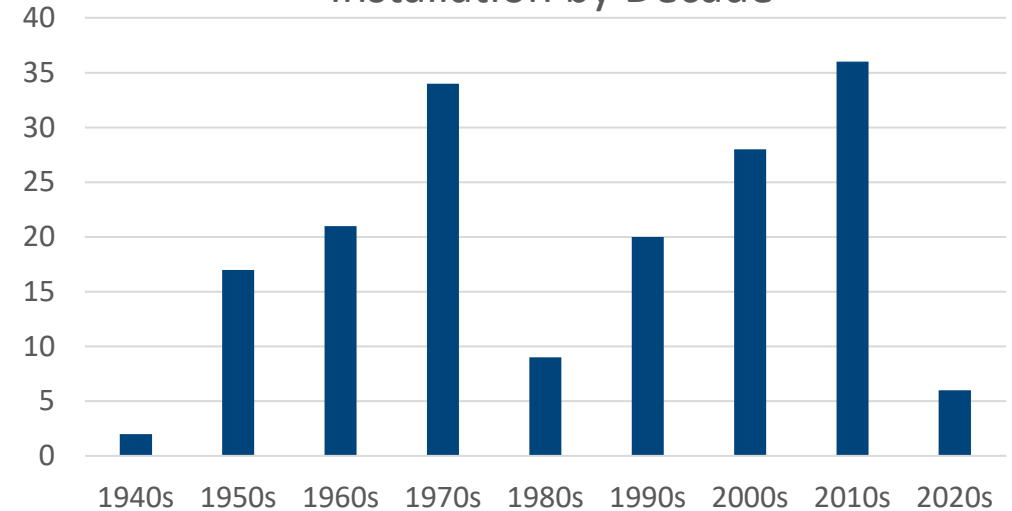
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Substation Transformers

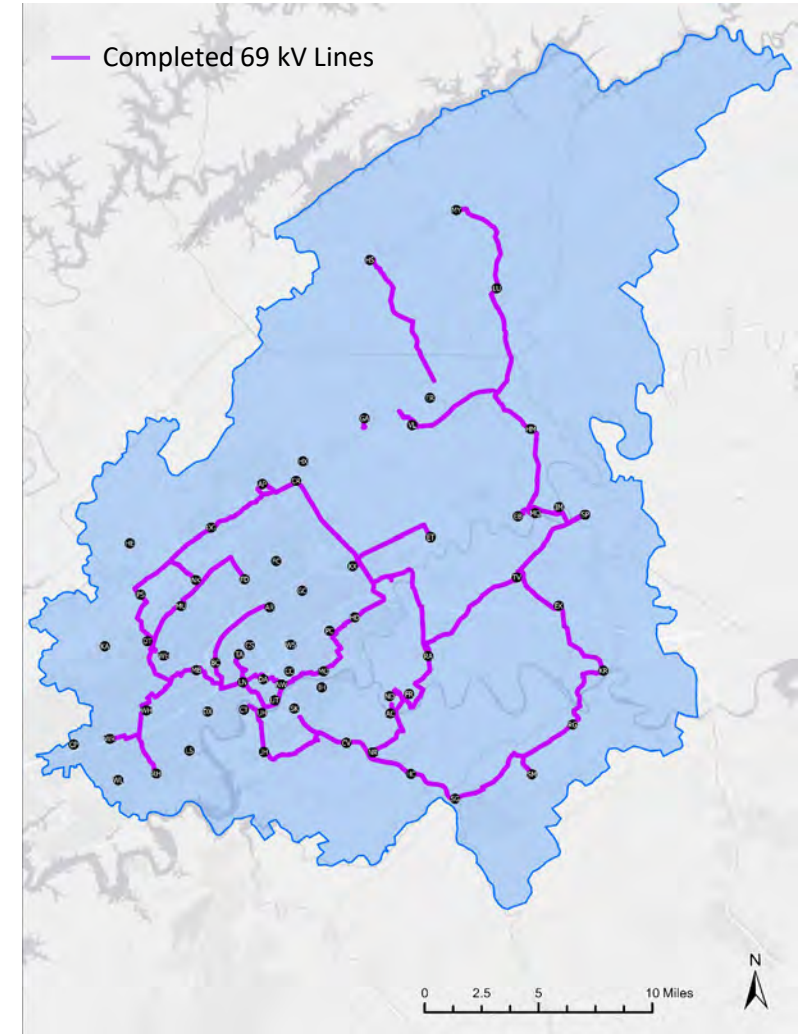
- New replacement program
 - One unit in FY26 (\$1.5M)
 - Two units annually beginning in FY 27 (\$3M/year)
- Historically reactive to failures
 - Utilized spare unit per year
- Design a proactive program
 - Prioritize using condition monitoring
- Improve reliability, resiliency, and increase capacity

Active Substation Transformers
Installation by Decade



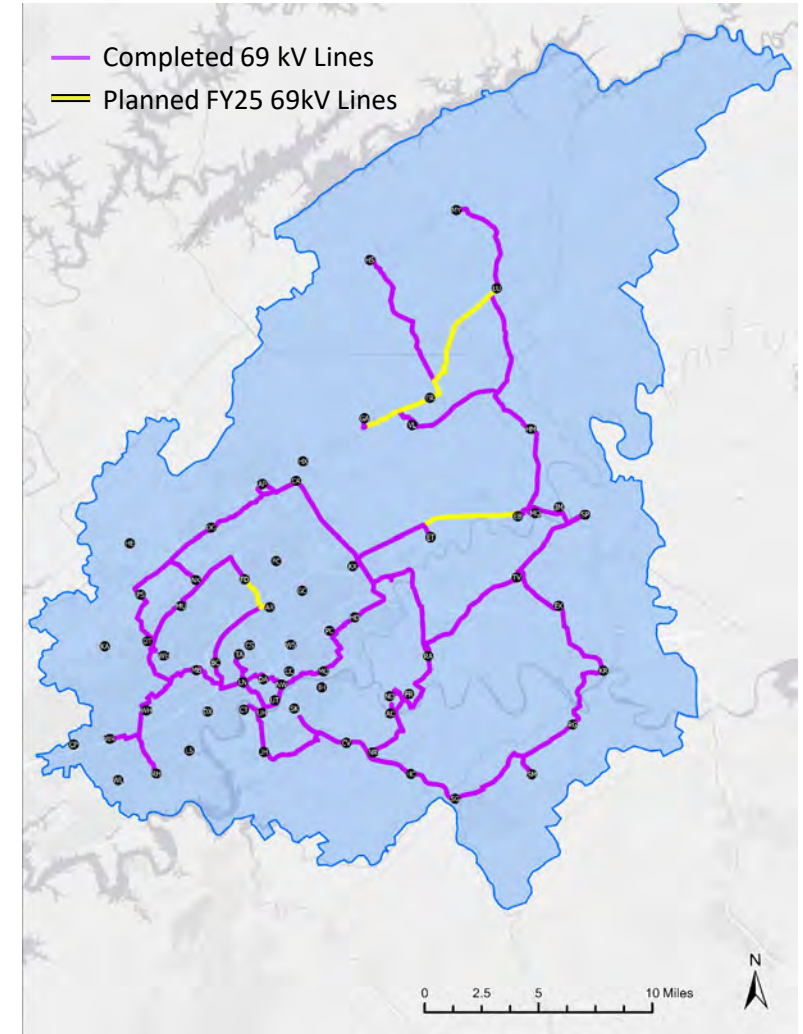
Transmission System

- 69kV line rebuild program (\$13.1M)
 - 10 miles in FY25
 - Mascot (ET to EB)
 - Union County (ER to LU)
 - Gibbs to Corryton (GA to ER)
 - Ball Camp area(BC to MB)
- Additional crew in FY27
- FY26-FY30 – 75 miles (\$64.9M)
- Program completion in FY31/FY32



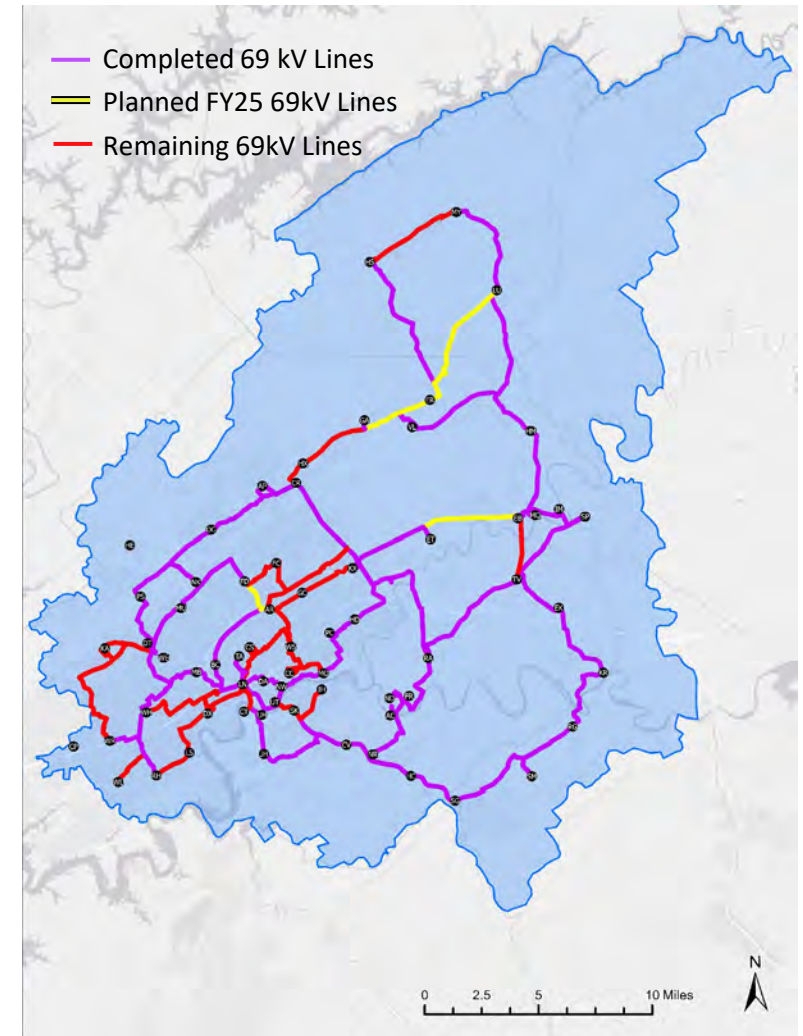
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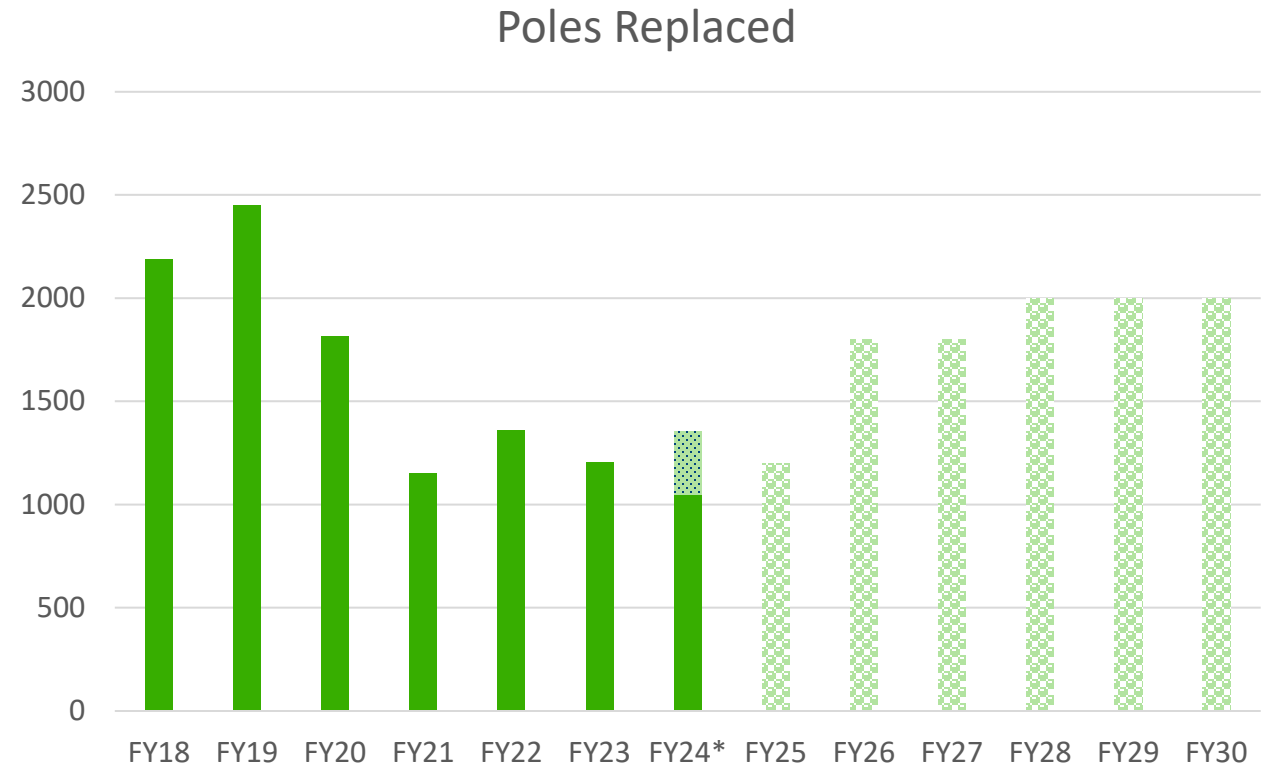
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Distribution System - Overhead

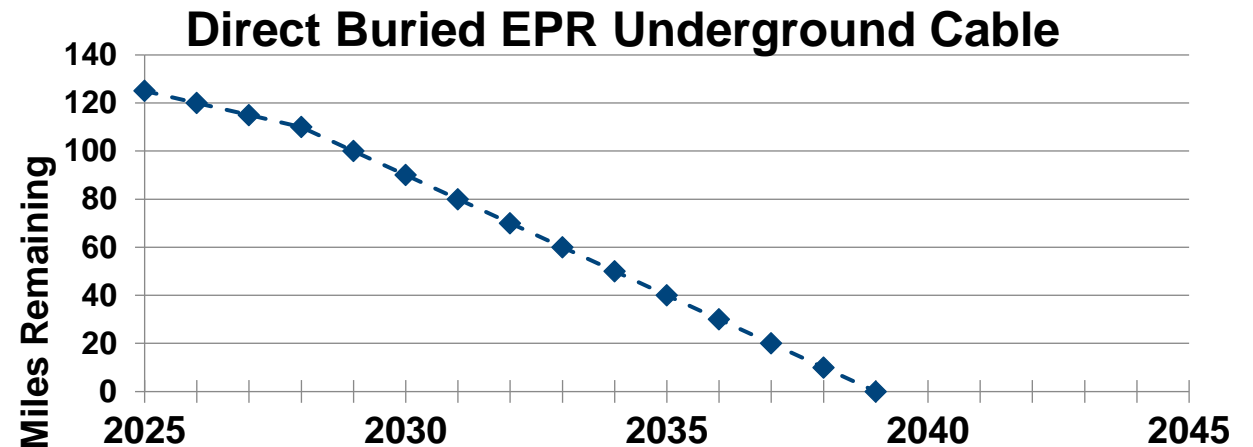
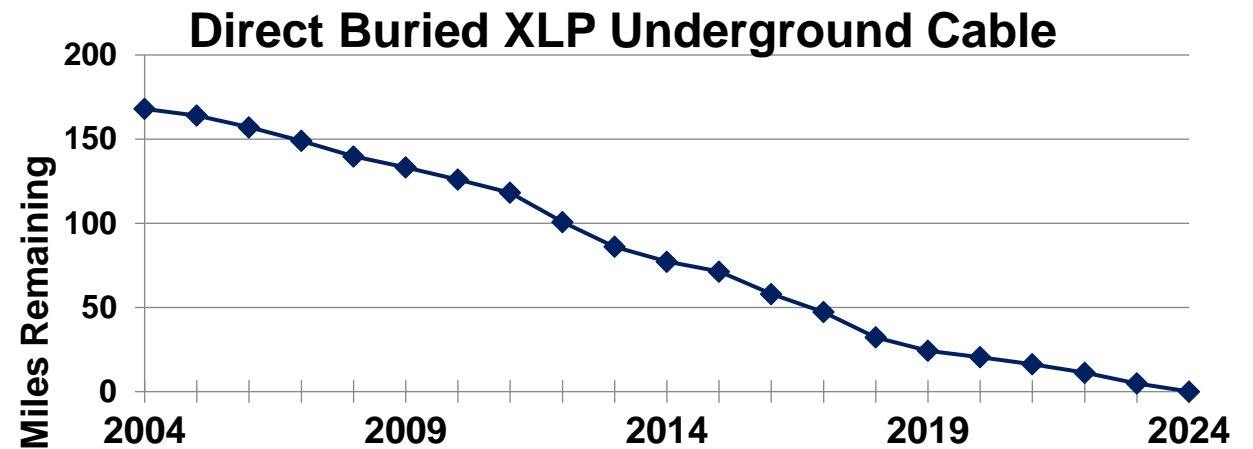
- Pole replacement (\$8.4M/year)
 - Increase pace to 2,000 poles/year
 - Three additional crews FY26
 - One additional crew FY27
- 13kV line projects (\$8.5M/year)
 - Boyd's Creek Highway (Seymour)
 - Cate Road (Powell)
 - Emory Road/Clinton Hwy. (Powell)
 - Pleasant Ridge – TDOT project



*As of March, project to replace 1,400 poles in FY24

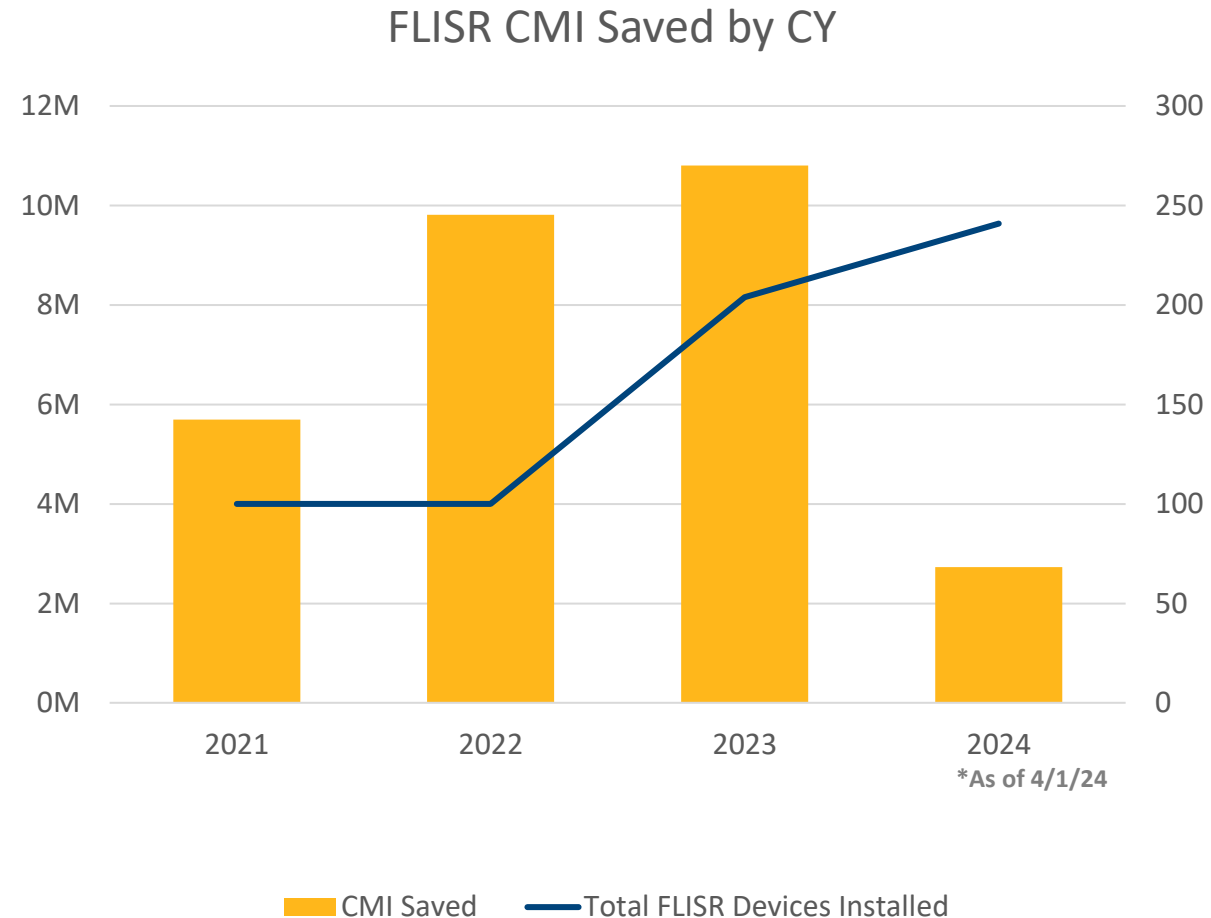
Distribution System - Underground

- Completed XLP Program in FY24
 - Replaced ~175 miles over 20 years
- Shift focus to direct buried EPR cable
 - 125 miles remaining
- Invest \$1.2M/year
 - 5 miles/year through FY26
 - 10 miles/year beginning in FY27
- New strategic underground conversion program (\$3M/year)
 - 1 to 2 miles/year beginning FY26



Grid Modernization – Leveraging Fiber

- FLISR deployment
 - Install 144 units FY25 (\$9.5M)
 - Additional 720 units FY26-FY30 (\$47.5M)
- Voltage optimization
 - Invest \$2.9M/year through FY28
 - Management of system peaks
- Energy storage
 - Invest \$7.2M/year in FY29 & FY30
 - Management of system peaks



New Technologies



- Replacing 30-year-old Supervisory Control and Data Acquisition (SCADA) system
- Investing \$1.8M over 18 months
- New system supports grid modernization applications
 - Modernize communication protocols
 - Enhance data analytics
 - Active security and software updates
 - Expand tools for FLISR



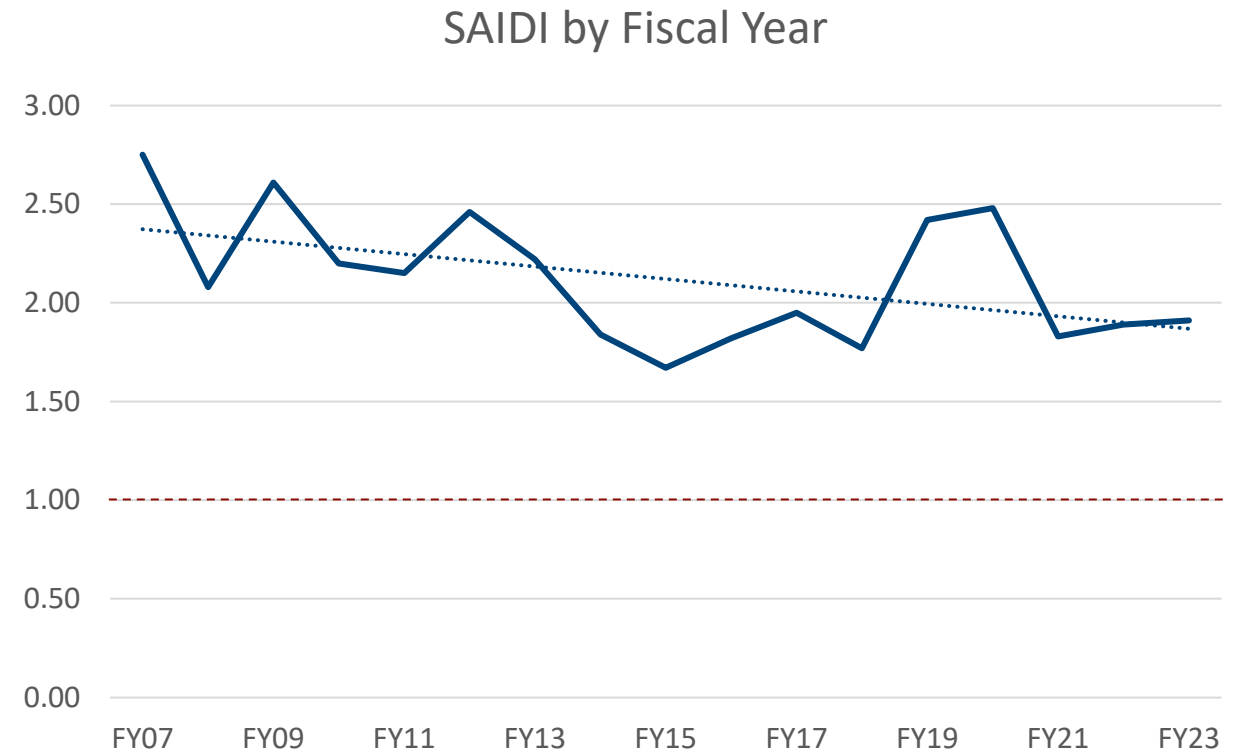
Vegetation Management

- Total annual spend \$15.5M
- Transmission system (\$1M/year)
 - Add \$500k/year
 - Three-year cycle (83 miles/year)
- Distribution system (\$10M/year)
 - Four/five-year cycle (950 miles/year)
- Hazardous tree removal (\$2M/year)
 - 1,800 trees
 - Supported by internal crew
- Vegetation accounts for 60% of outage minutes



Century II Outcomes

- Electric service reliability improved by 33%
 - System average interruption duration index (SAIDI)
 - Reduced customer outages
 - From 2.75 hours/customer/year
 - To 1.85 hours/customer/year
- FLISR prevented over 26M customer minutes of interruption



Focused on Industry Best Practices

- Achieved Reliable Public Power Provider (RP3) from the American Public Power Association
 - Diamond status (highest level)
 - Third consecutive perfect score
 - Only 112 of over 2,000 utilities hold this status
- Demonstrated leading practices in:
 - Reliability
 - Safety
 - Workforce development
 - System improvement
- Good steward of utility assets and long-term planning



American Public Power Association





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Natural Gas Division



Natural Gas System

Services: 110,267

Service Territory:
297 square miles

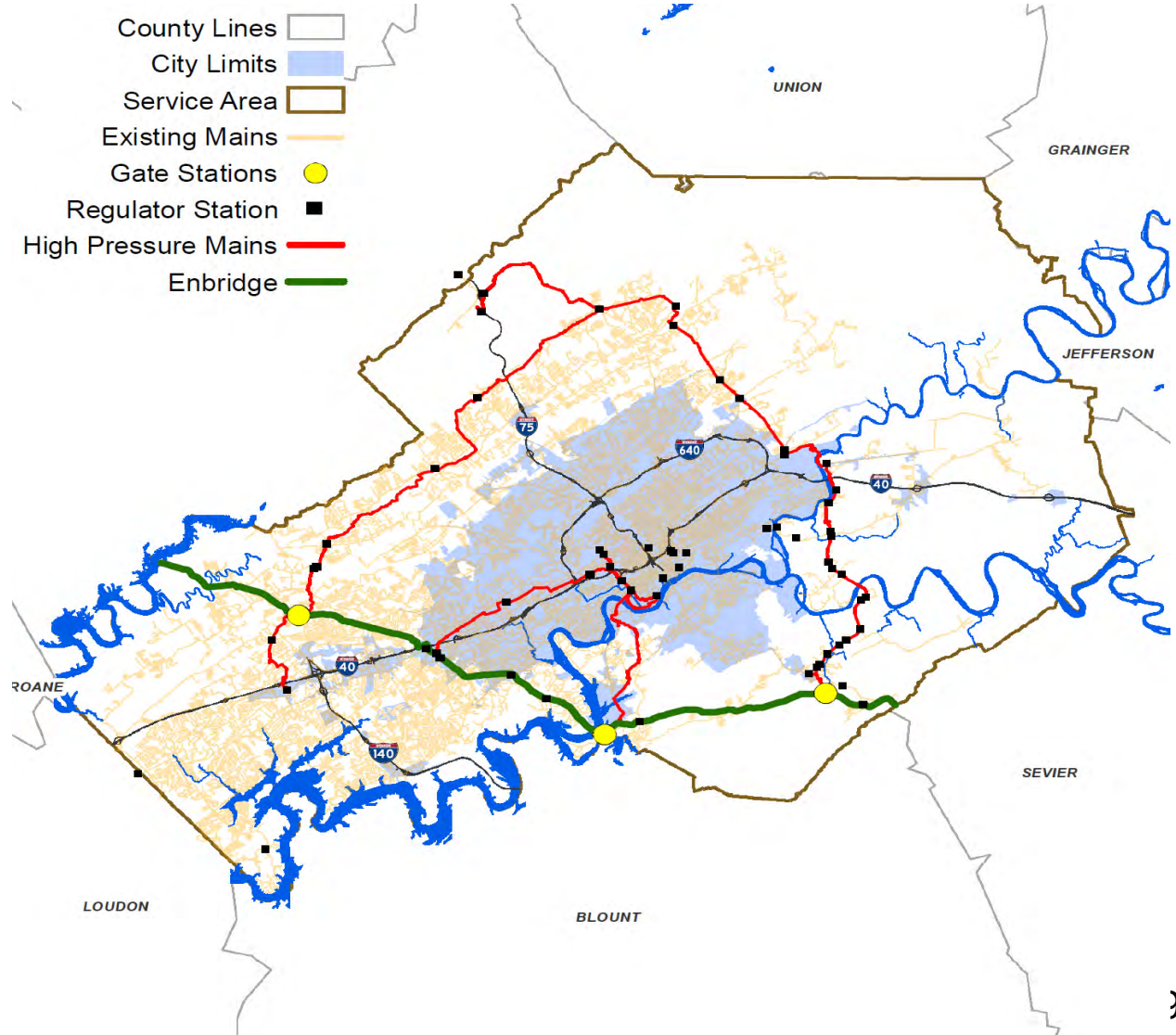
Mains: 2,590 miles
Distribution
Steel: 137 miles
Plastic: 2,380 miles
Higher pressure
Steel: 66 miles
Plastic: 6 miles

Gate Stations: 3

Regulator Stations: 47

System Capacity: 157,381 dth

Peak Demand: 169,458 dth (Dec. 22, 2022)

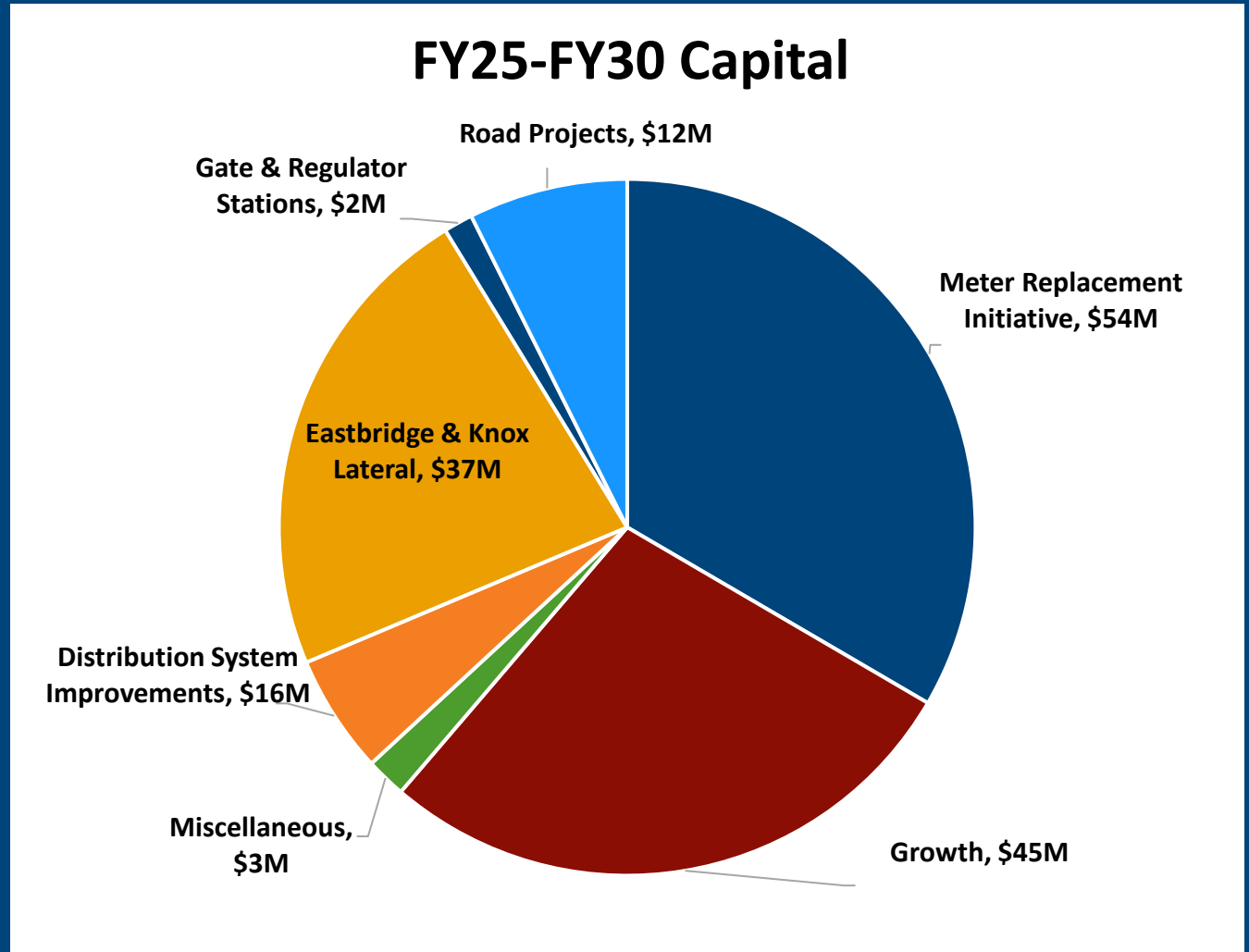


Gas Division Overview

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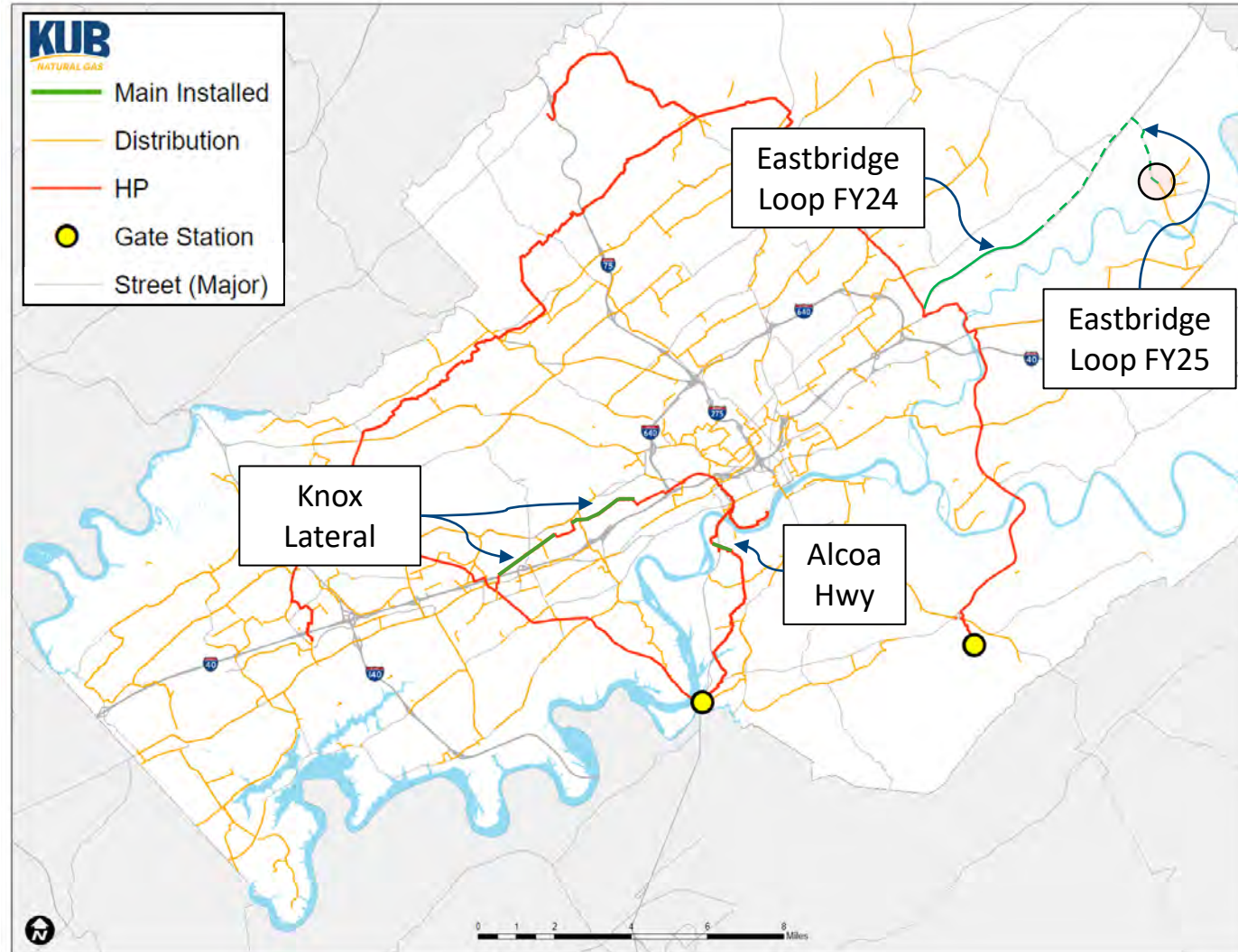
Gas Infrastructure Investments

- FY25 – \$24M
- FY26-FY30 – \$145M
- Key assets
 - High pressure system
 - Distribution system
 - Gate and regulator stations
 - Meters



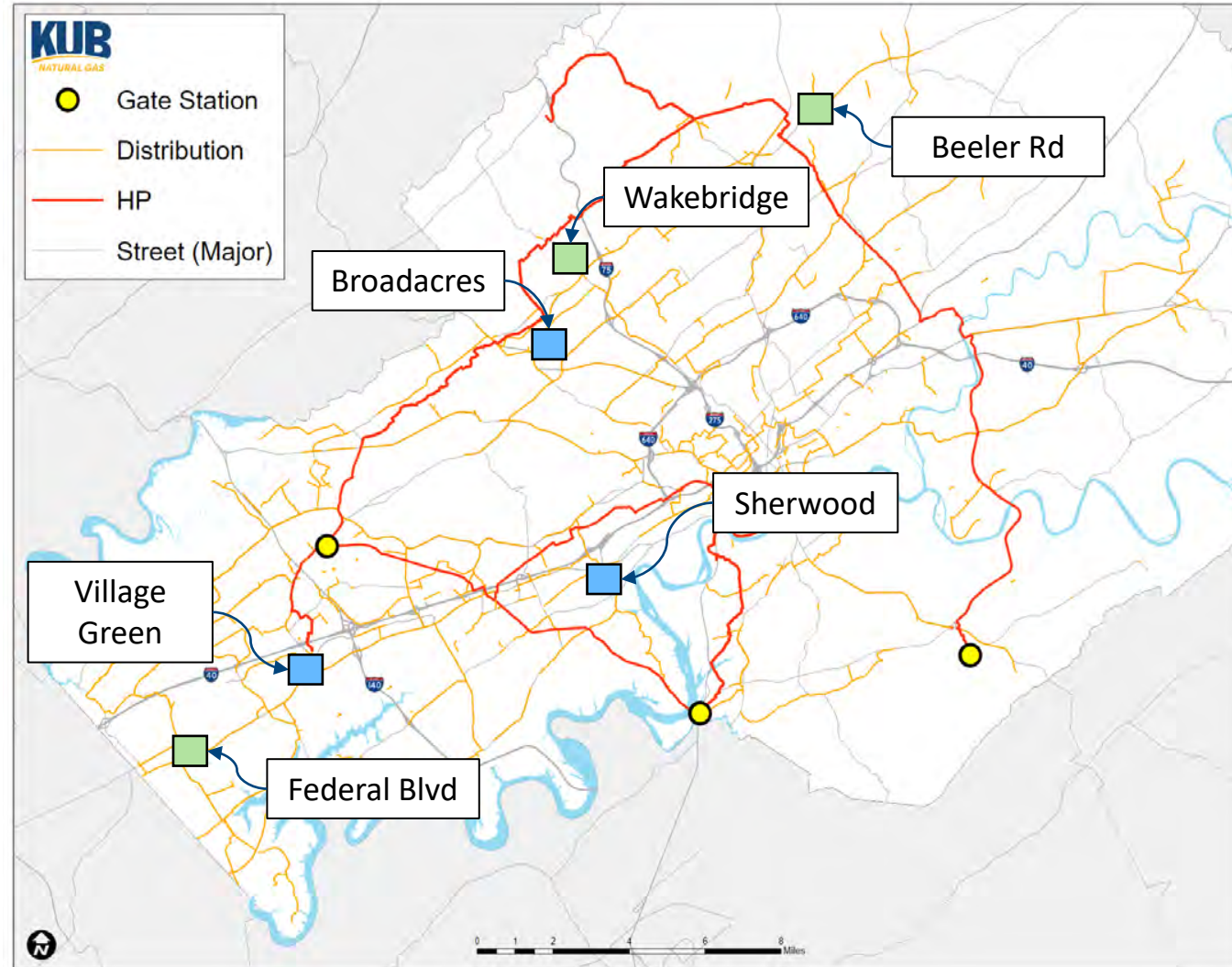
High Pressure System

- Eastbridge Loop (FY24-25)
 - \$2M in FY24, \$5M in FY25
 - 9.5 miles of 12" HDPE
- Alcoa Highway TDOT (FY25)
 - Reimbursable project
 - Eliminates remaining ductile iron
- Knox Lateral (FY28-31)
 - \$29M through FY30
 - Upgrade 4.7 miles of 1950s 12" steel pipe to 16" steel



Distribution System

- Coupled steel replacement (\$12.1M)
 - Village Green \$1.7M / 3.6 miles
 - Broadacres \$1.5M / 4.7 miles
 - Sherwood \$860K / 1.7 miles
 - Several smaller projects \$2.5M
- Looping projects (\$1.5M)
 - Wakebridge
 - Federal Boulevard
 - Beeler Road



Gate and Regulator Stations

- Topside Gate Station meter capacity project (\$450K)
- Century II regulator station upgrades (\$150K)
 - Lovell-Karns Regulator Station
 - Cherokee Trail Regulator Station
 - Westbridge Regulator Station
- Two new regulator stations for Eastbridge Loop (\$100K)



UT Cogen Natural Gas Meter and Regulating Station

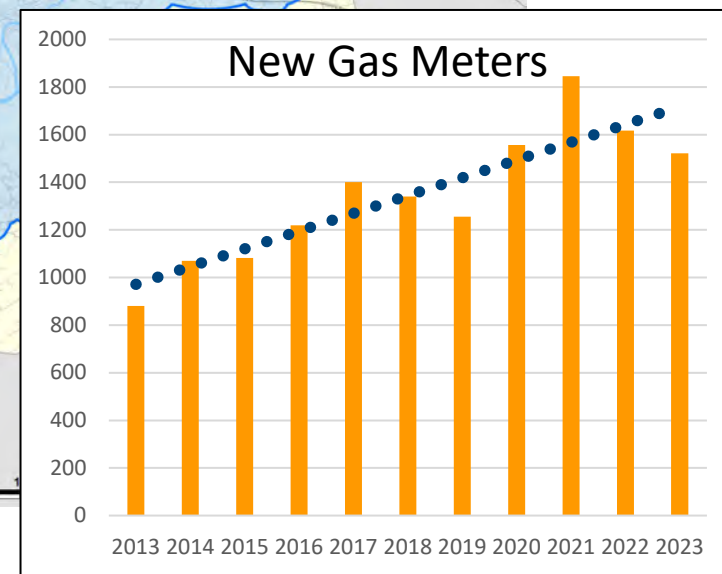
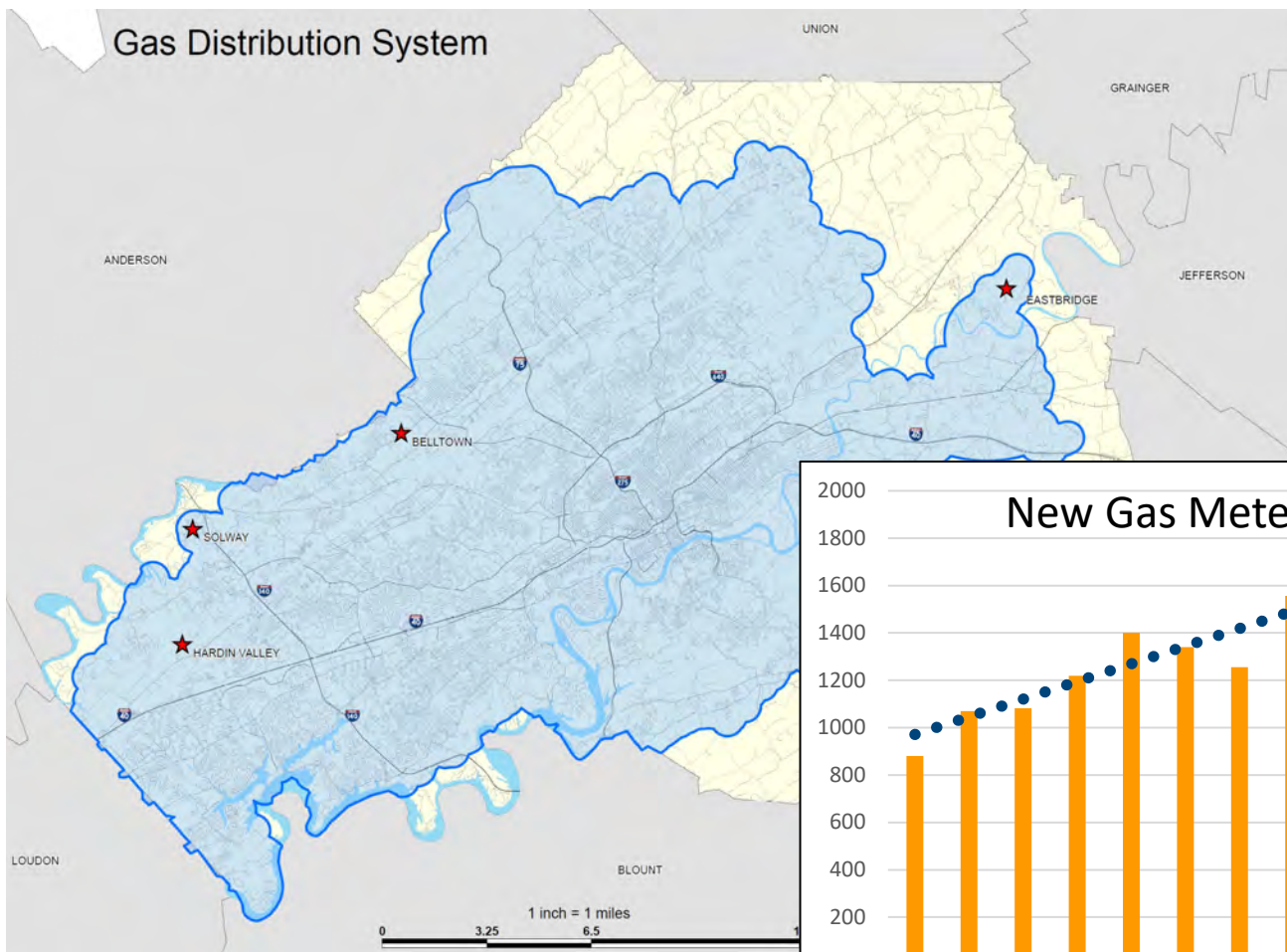
Technology - Sonix IQ Meter Initiative

- Replace all residential meters FY27-FY36
 - ~100,000 meters
 - \$54M FY27-FY30 (\$112M total spend)
- Benefits
 - Safety
 - Leak detection
 - Remote/automatic shut-off capabilities
 - Data
 - More advanced technology
 - Temperature and pressure data available for diagnostics
 - Appearance
 - Smaller footprint
 - Less intrusive design



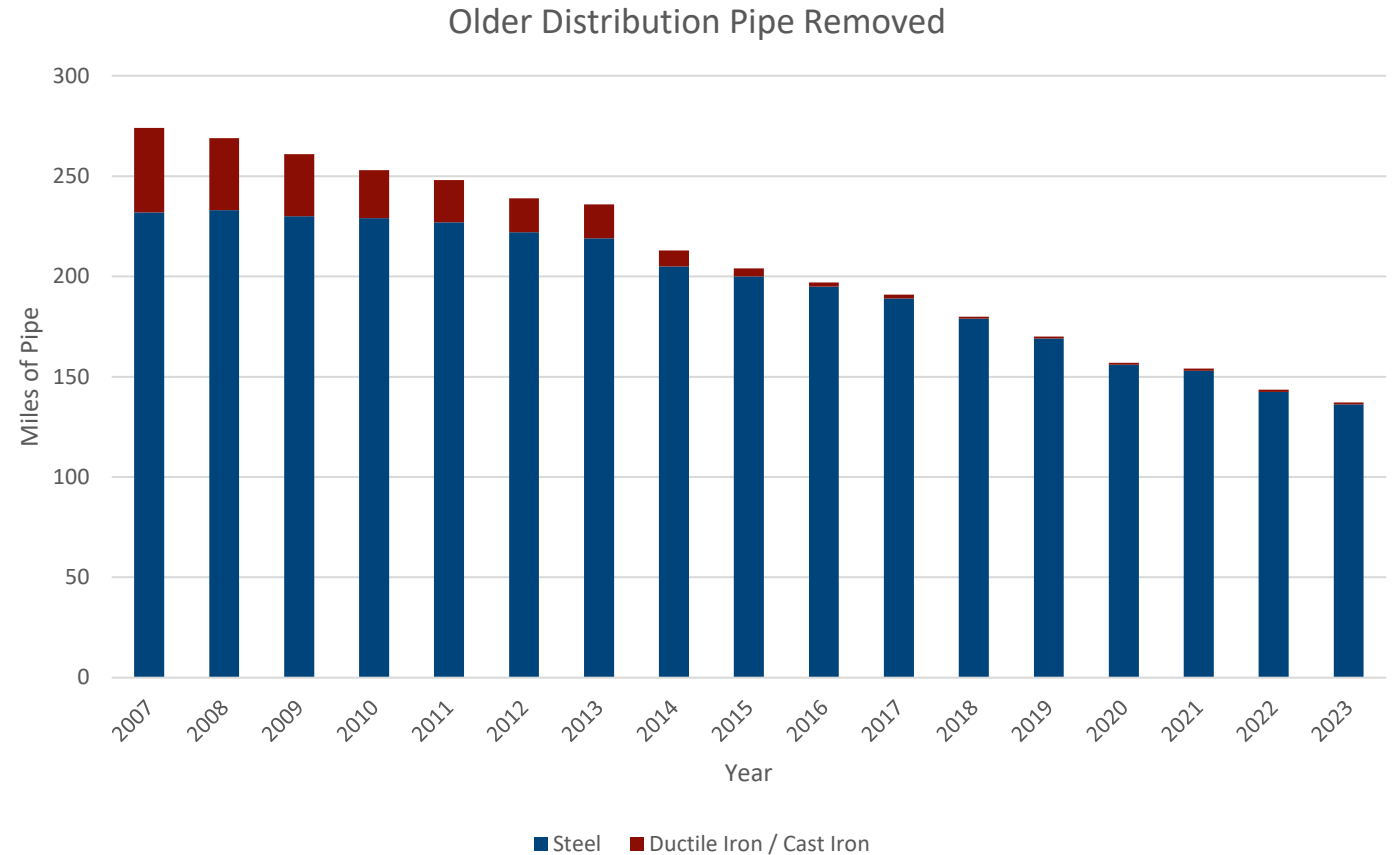
Gas System Growth

- \$45M in capital plan
 - Extensions
 - Subdivisions and services
 - Meter additions
- Belltown Development
- Hardin Valley Area
- Solway
- Eastbridge
- Industrial/commercial development



Century II Outcomes

- Pipe replacement
 - Reduction of metal distribution mains by 50% (137 miles since 2007)
- Eliminating one-way feeds impacting > 200 customers
 - Over 11 miles installed
 - Over 12,000 customers taken off one-way feeds





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Water Division



Water System

Customers: 82,279

Service Territory:
188 square miles

Treatment Plant: 1

Pump Stations: 27

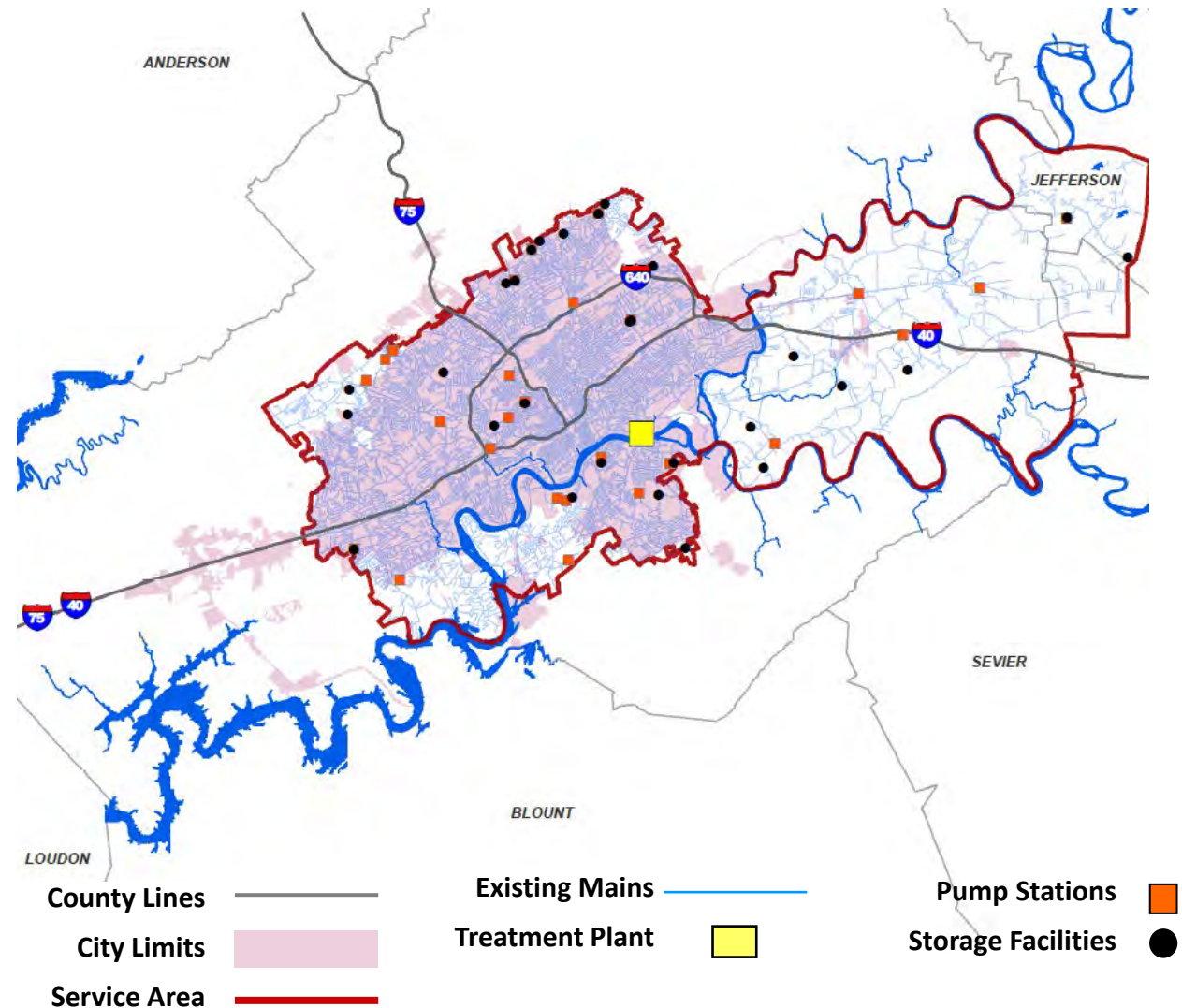
Storage Facilities: 28

Distribution Mains: 1,417 miles

Plant Capacity:
62.9 million gallons/day (MGD)

Reservoir Capacity: 36.9 million gallons (MG)

Treated Water: 12.7 billion gallons annually

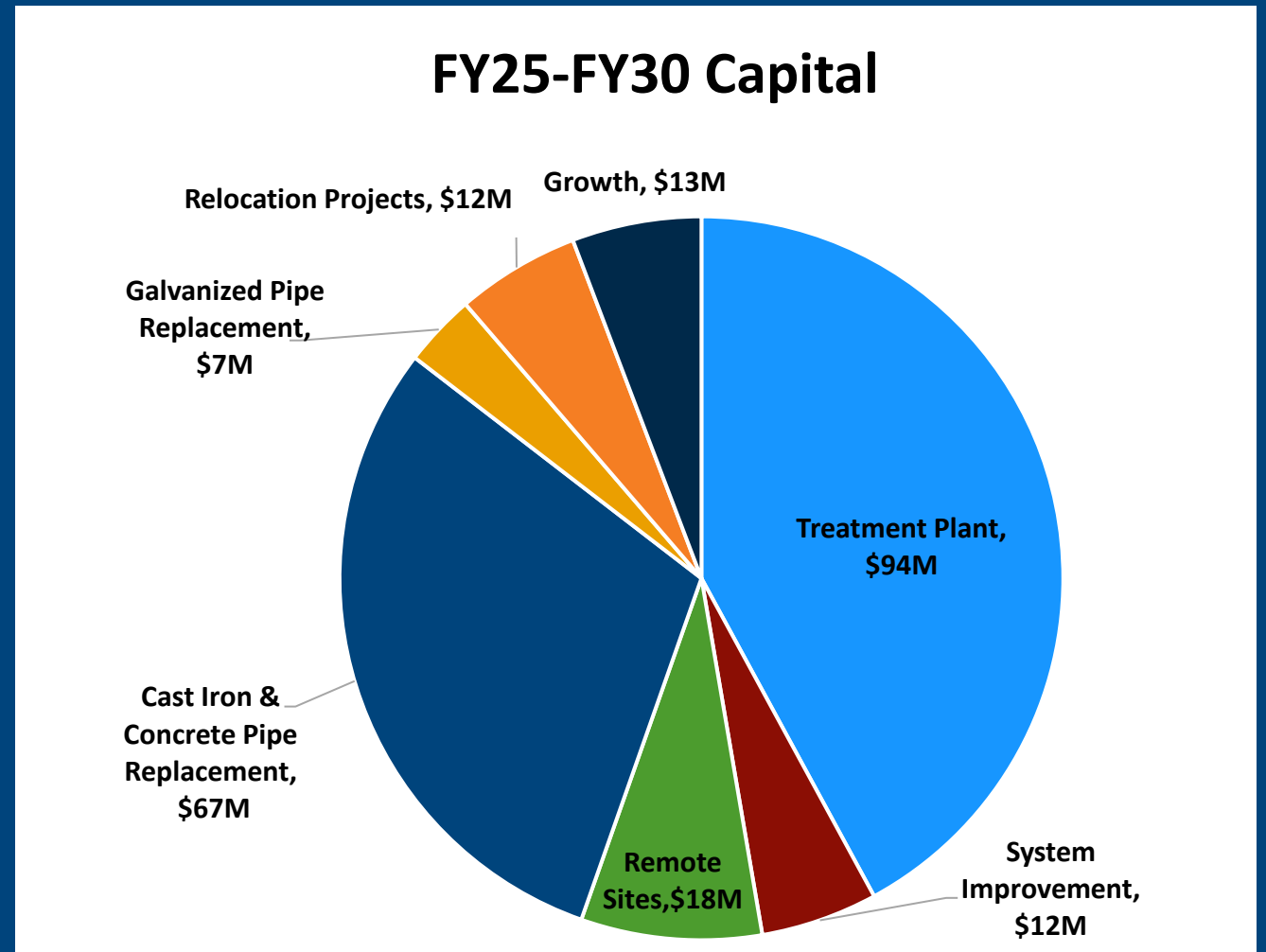


Water Division Overview

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Water Infrastructure Investments

- FY25 – \$52M
- FY26-FY30 – \$171M
- Significant treatment plant work planned
 - Water Supply Master Plan
- Cast Iron and Concrete Pipe Replacement Program set to increase
 - Galvanized Replacement Program coming to an end in FY27



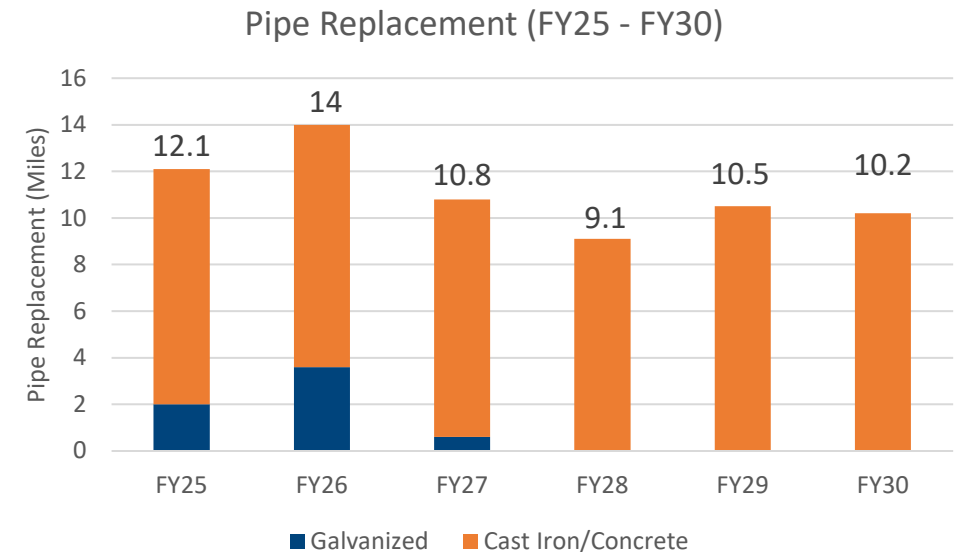
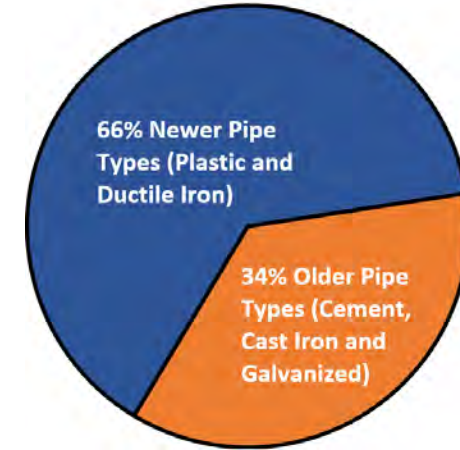
Treatment Plant

- Total spend \$94M
- Filters project
 - Largest construction project in KUB history
 - Complete in FY25
 - \$25M ARPA funding
- Water Supply Master Plan
 - Electrical upgrades phase 2 (FY26-FY27)
 - Distribution box and clarifier connection (FY27)
 - Low service pump station (FY29-FY30)
- Other MBW projects
 - Clarifier equipment replacement (FY26-FY27)
 - Sedimentation basin resurfacing (FY28)



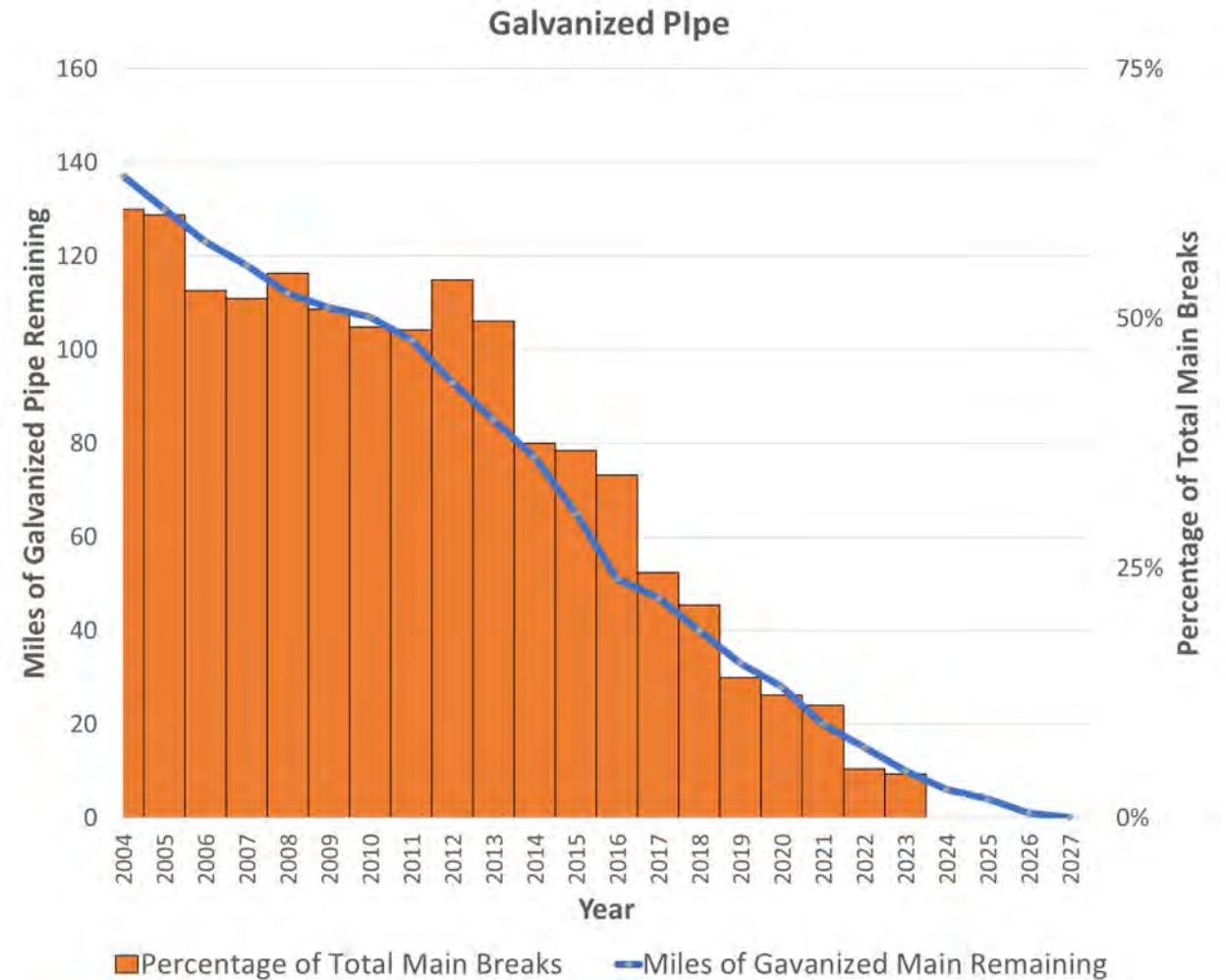
Distribution System

- Includes replacement of distribution and transmission mains
- Replace 67 miles across multiple projects
- Galvanized replacement (\$7M)
 - Six miles remain
 - Totally removed by FY27
- Cast iron and concrete replacement (\$67M)
 - New focus, represents about 33% of system



Distribution System

- Projects completed by contractors and three internal crews
- Galvanized pipe will be completely removed by 2027
- Strategic removal efforts have had a significant impact on water main breaks
 - 2004 – 137 miles
61% of all breaks
 - 2023 – 10 miles
4% of all breaks



Distribution System

- Cumberland Avenue (FY25)
 - 1,800' of 16-inch cast iron replacement
- Boyds Bridge replacement
- Distribution System Master Plan projects
 - Forks of the River (FY26-FY27)
 - MBW river crossing (FY28)
- System Improvements (\$12M)
 - Hydrants, valves, paving
 - District metering and pressure management



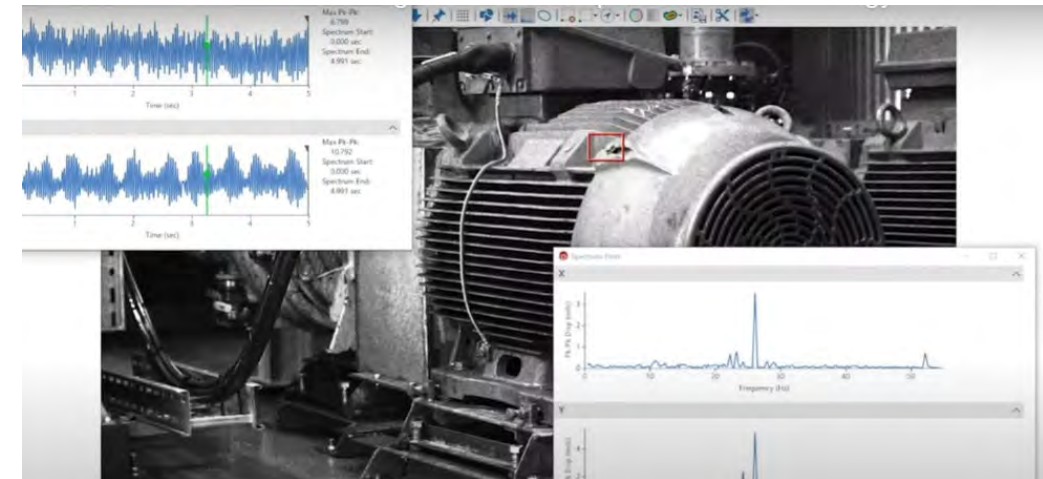
Remote Sites

- Total spend on remote sites is \$18M
- Projects:
 - Middlebrook Booster Pump Station (FY25)
 - Under construction, critical to growth in Third Creek area
 - Third Creek Booster Pump Station (FY26-FY28)
 - Bruhin Road Booster Pump Station (FY29)
 - Buffat Mill Reservoir (FY30-FY31)
 - Additional 4 million gallons of onsite storage



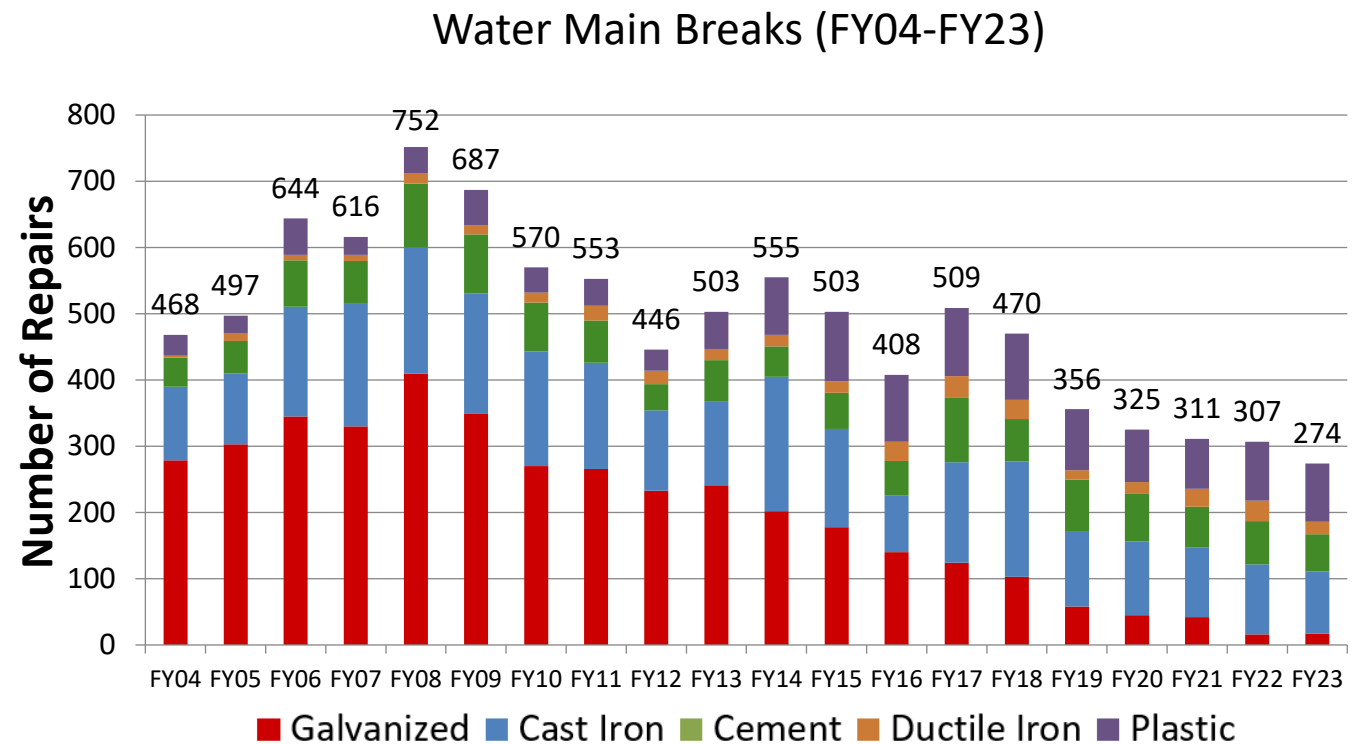
Technology Improves Reliability & Efficiency

- Increased mapping accuracy using drone technology
 - Pilot project on Cumberland Avenue
 - Create digital as-builts, photos of critical tie-ins, and project videos
- Motion amplification technology
 - Video technology used to detect abnormal vibrations that can lead to pump/motor failures
 - Identified defective weld at Third Creek Booster Pump Station



Century II Outcomes

- Main Break Reduction
 - Reduced by 64% since FY08
 - FY23 was the lowest total on record preceded by four record-setting years
- Majority of galvanized pipe has been removed, resulting in significantly less main breaks
- Significant investments at MBW Water Treatment Plant are building critical redundancy for water treatment processes





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Wastewater Division



Wastewater System

Customers: 73,576

Service Territory:
243 square miles

Treatment Plants: 4

Lift Stations: 64

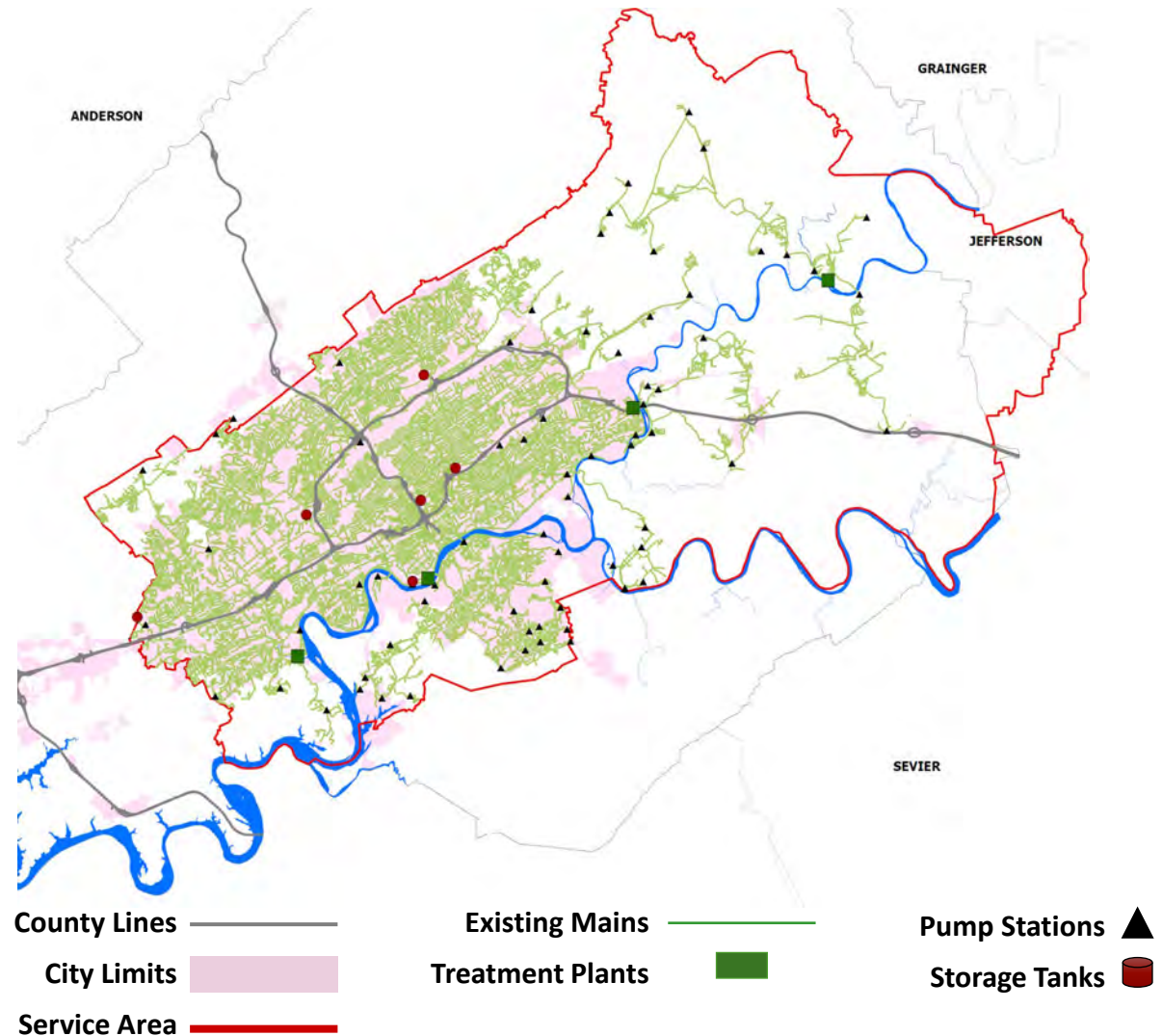
Collection Mains: 1,340 miles

Storage Capacity: 34 MG in 6 tanks

Plant Maximum Capacity: 173 MGD

Average Flow: 37.75 MGD

Consent Decree: 2005 – 2022



County Lines ———

City Limits ———

Service Area ———

Existing Mains ———

Treatment Plants ■

Pump Stations ▲

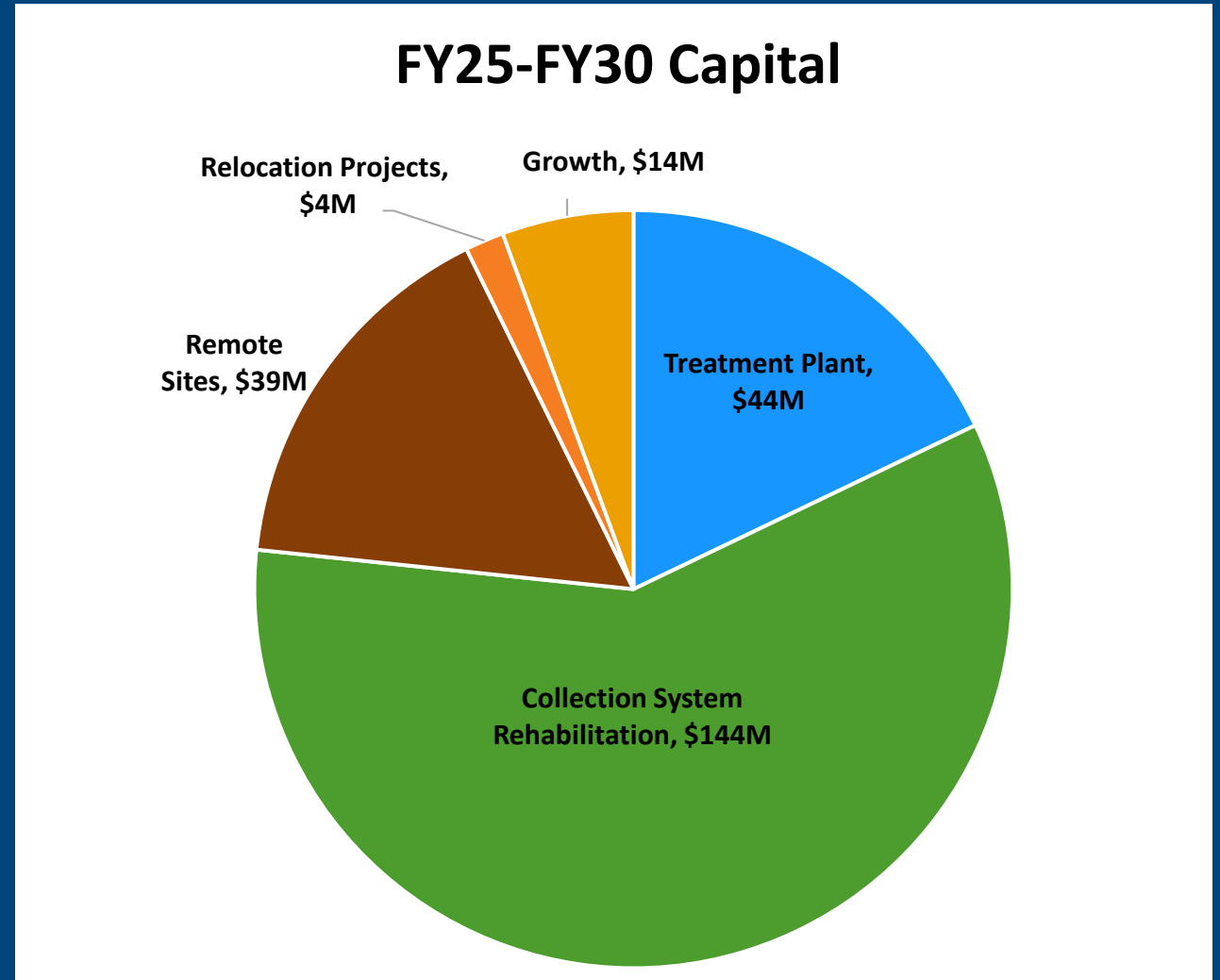
Storage Tanks ■

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Wastewater Infrastructure Investments

- FY25 – \$35M
- FY26-FY30 – \$210M
- Collection System Rehabilitation largest program
 - Includes basin projects, shortline program, and system upgrades
- Facility upgrades at the treatment plant and remote sites make roughly a third of spend



Treatment Plants

- Total spend is \$44M across all four plants
- Consent Decree is complete
- Projects
 - Kuwahee disinfection system upgrades (FY25-FY27)
 - Kuwahee clarifier equipment replacement (FY25)
 - Kuwahee digester cover upgrades (FY27-FY29)
 - Loves Creek preliminary treatment upgrades (FY28-FY30)



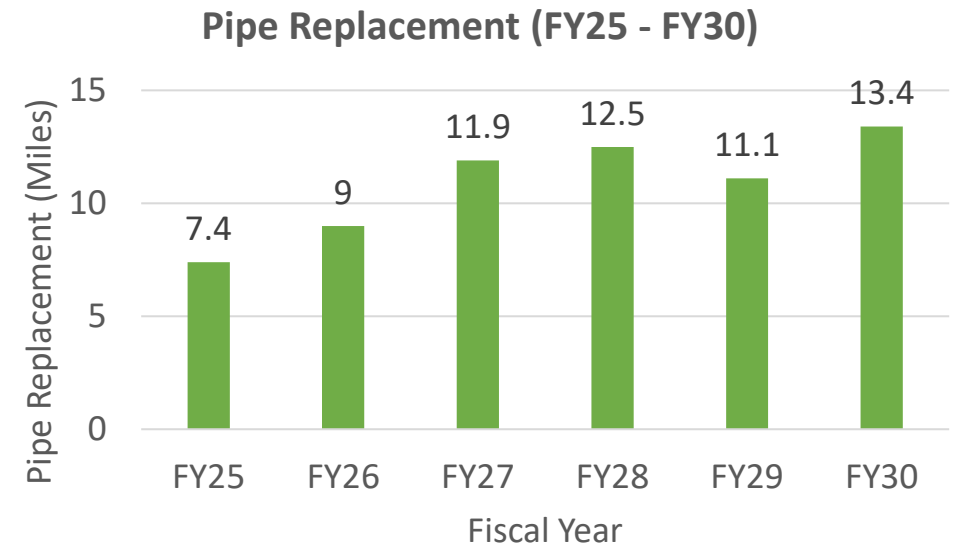
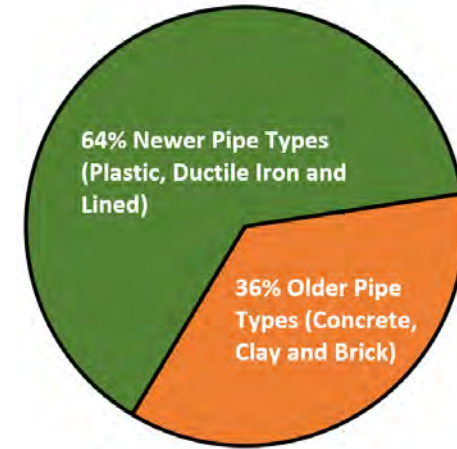
Remote Sites

- Total spend is \$39M
- Walker Springs Pump Station and Force Main (FY25-FY26)
 - (\$14M) \$4.75M ARPA funding
- Boyds Bridge Force Main (FY25)
- Harrison Keep Pump Station (FY26)
- Wyngate Pump Station (FY27)
- Mascot Pump Station (FY28)



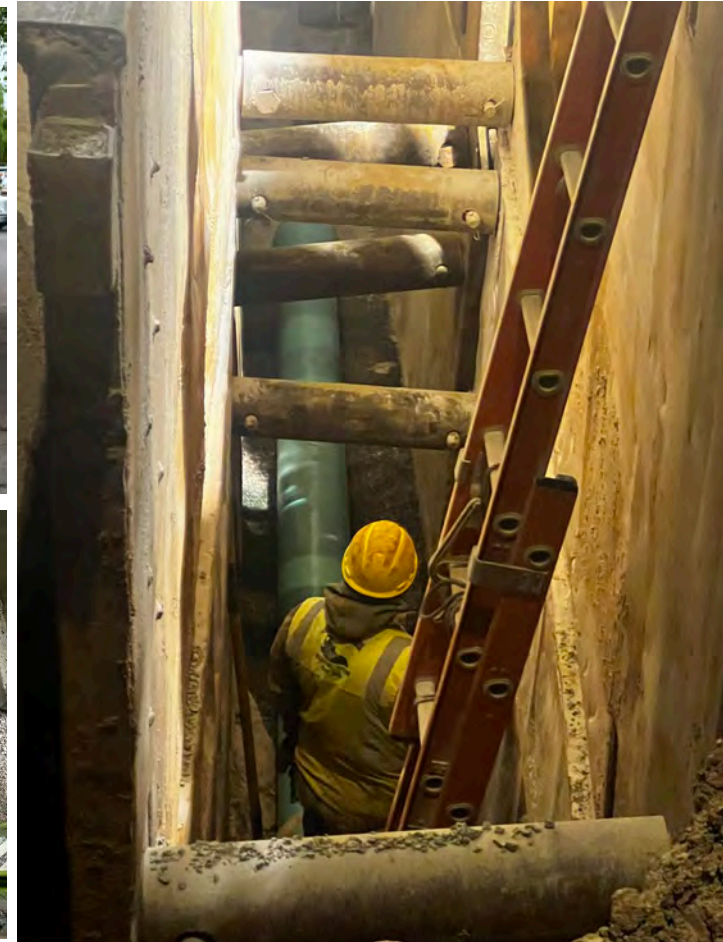
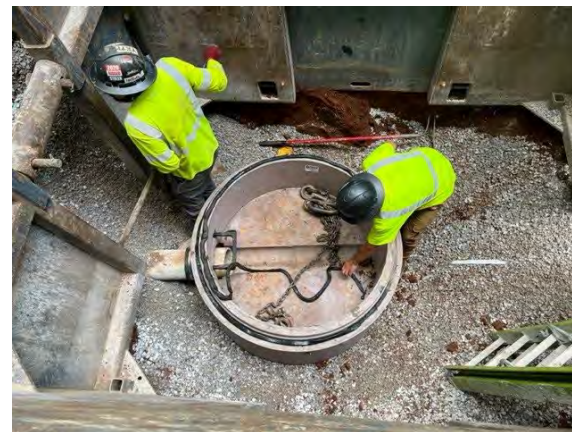
Collection System Rehabilitation

- Total spend is \$144M
- Strategic replacement of older clay, brick, and concrete pipe
- Replace or rehabilitate 66 miles of pipe across multiple basin projects
- Notable projects include:
 - Fort Sanders – East (FY25)
 - 12,500' included
 - Fort Sanders – West (FY26)
 - 13,200' included



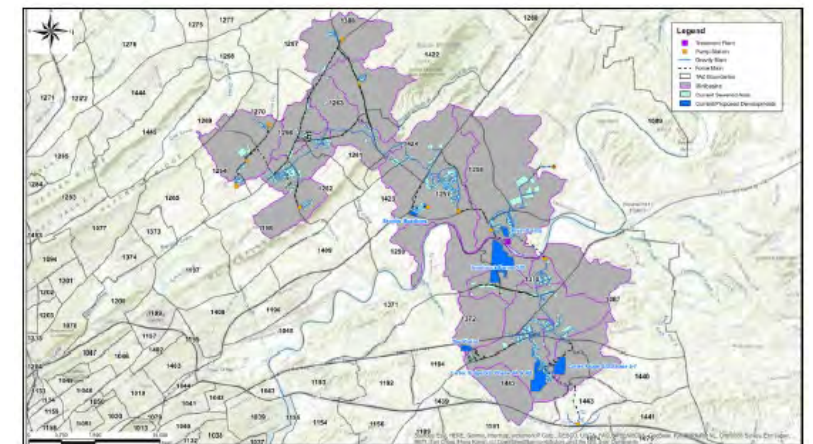
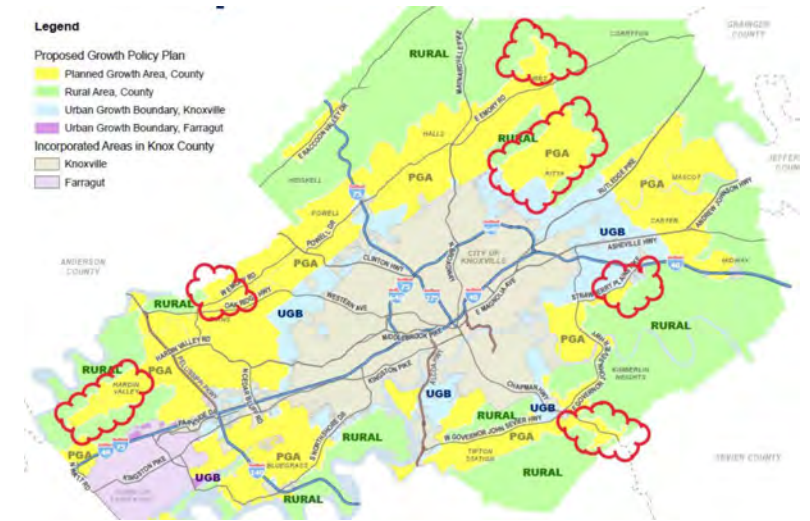
Collection System Rehabilitation

- Shortline total spend is \$29M
 - Projects target specific issue or problematic areas
 - Smaller scale and scope
 - New internal construction crew
- Program synergy reduces overflows
 - Preventative maintenance
 - Blockage abatement
 - Shortline rehabilitation
 - Collection system rehabilitation



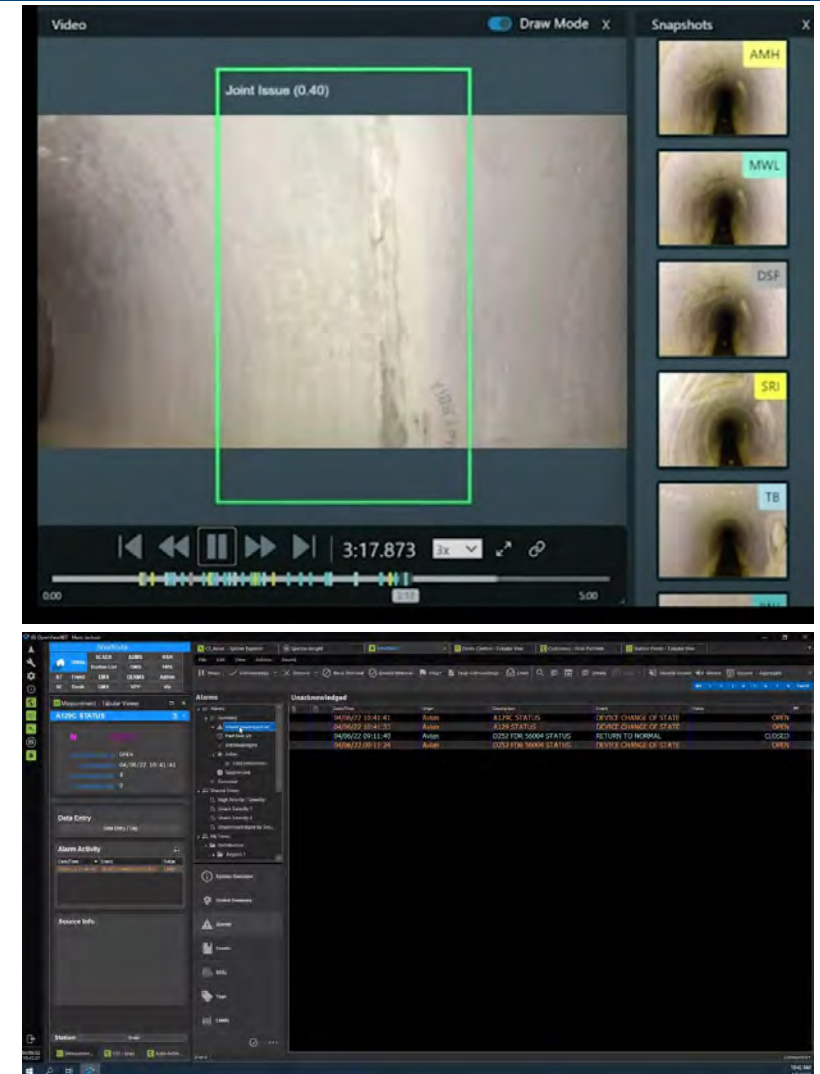
New Development – East Knox County

- Growth accelerating in areas of East Knox County
- Knox County Growth Plan shows expanded growth zones within this area
- Development in these areas is becoming more economically feasible
- East Knox County Wastewater Master Plan



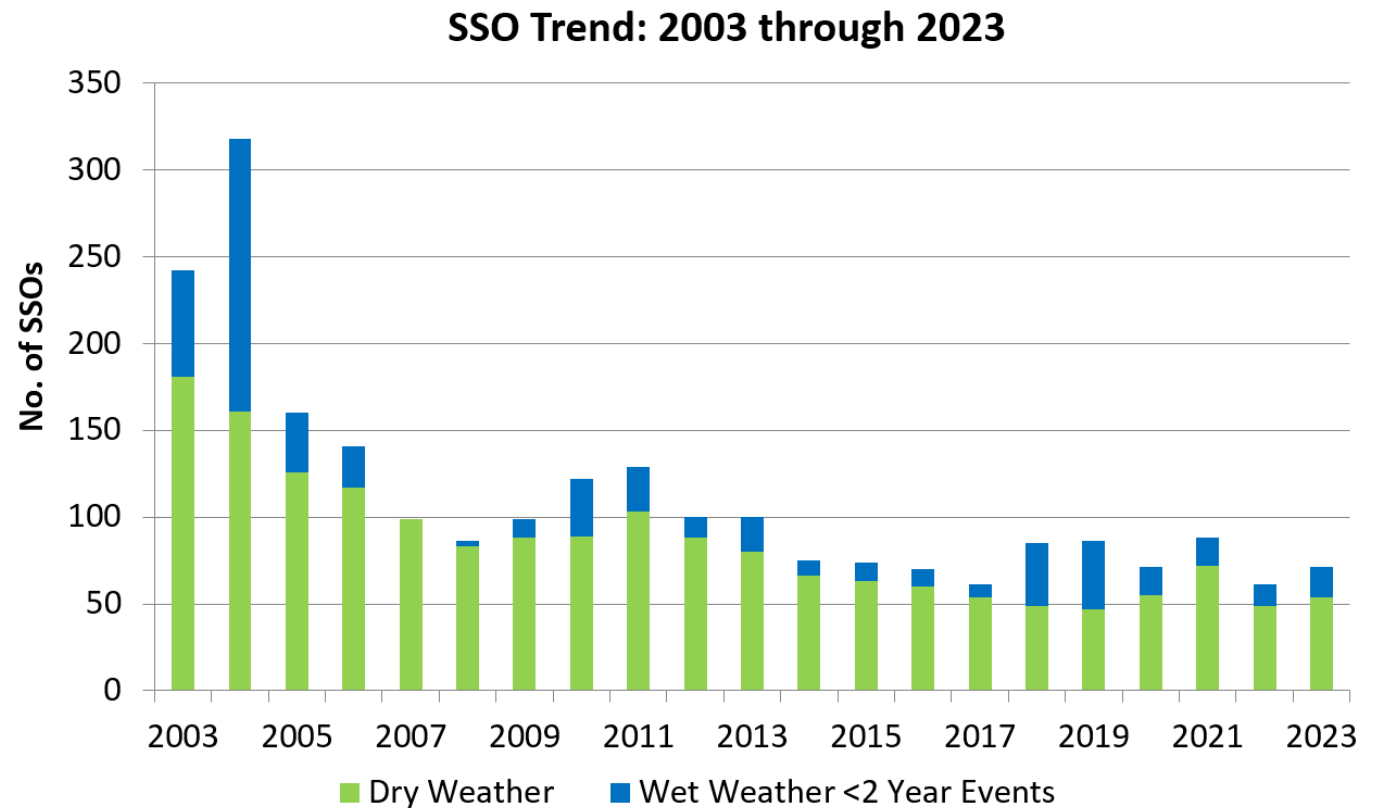
Technology Improves System Performance

- Utilization of new technology to evaluate system performance and condition
 - SewerAI – Artificial Intelligence codes pipe inspections
 - Decreases inspection time and cost
 - Increases accuracy with less inspection/review time
 - SCADA - New platform
 - Monitors status and processes at pump stations and tanks
 - Improved visibility and analytical tools



Century II Outcomes

- Sanitary Sewer Overflows
 - Reduced by 80% since 2004
 - March 2024 was first month with no SSOs since 2003
- Pipe Replacement
 - Approximately one-third of the collection system or 450 miles of pipe has been replaced or rehabilitated since 2004
- Comprehensive Capital and O&M programs extend asset life and reduce SSOs





April 18, 2024

Fiber Division



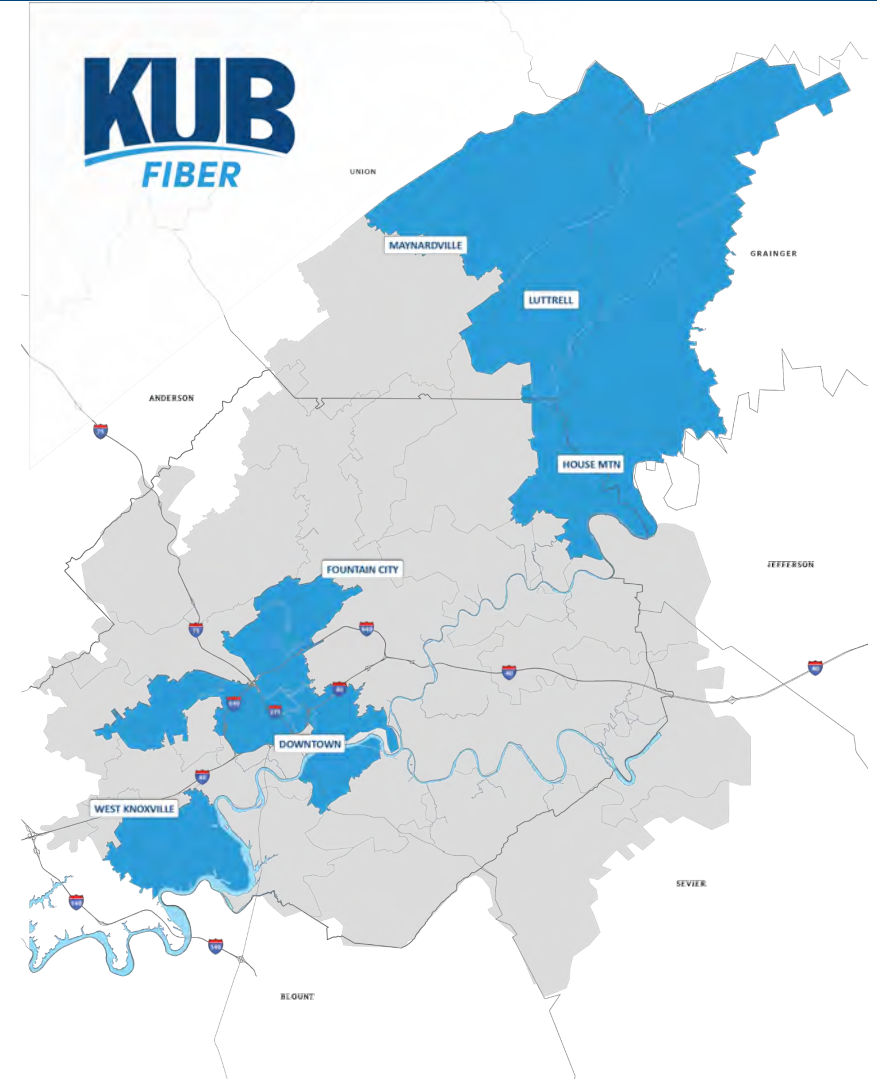
This Time Last Year...

- Supply chain issues were impacting KUB Fiber
- Crews acclimating to construction practices
 - Limited space to for underground lines
 - Impacts to residential neighborhoods
- Customer base was just starting to grow



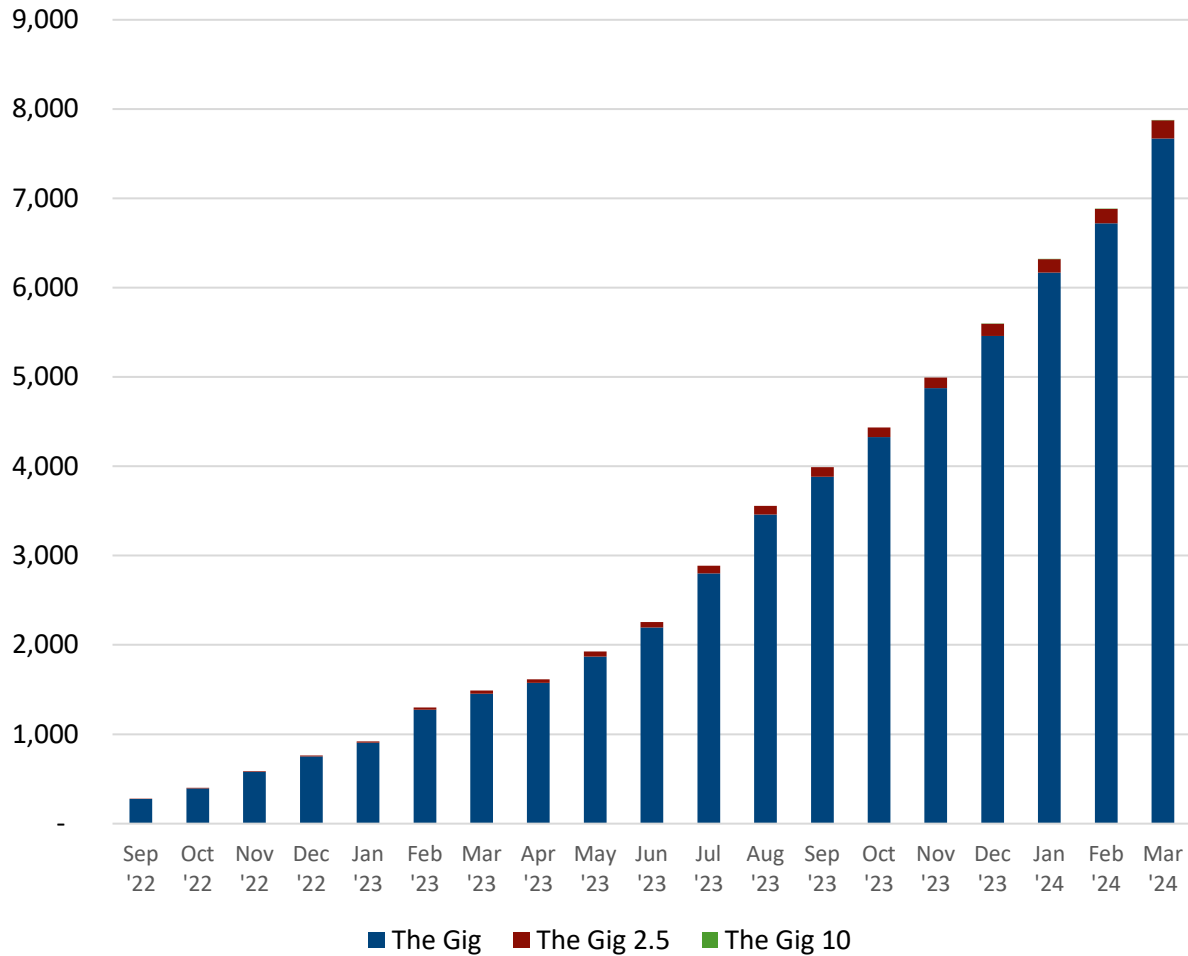
Current State

- 1,700 miles of fiber installed
- Available to 53,940 addresses
- In front of an additional 20,000 MDU addresses
- More than 8,500 active customers

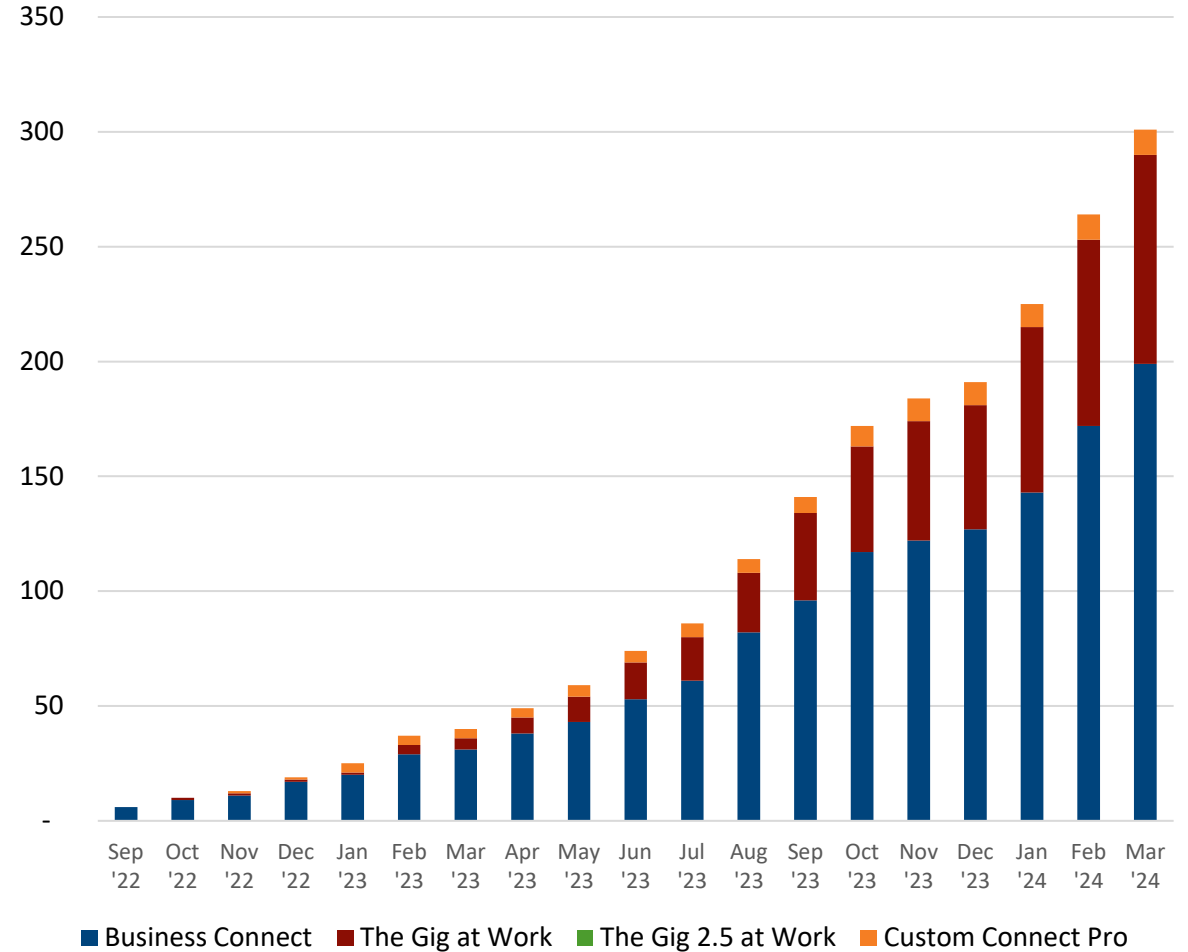


Customer Growth Gaining Momentum

Residential Customers



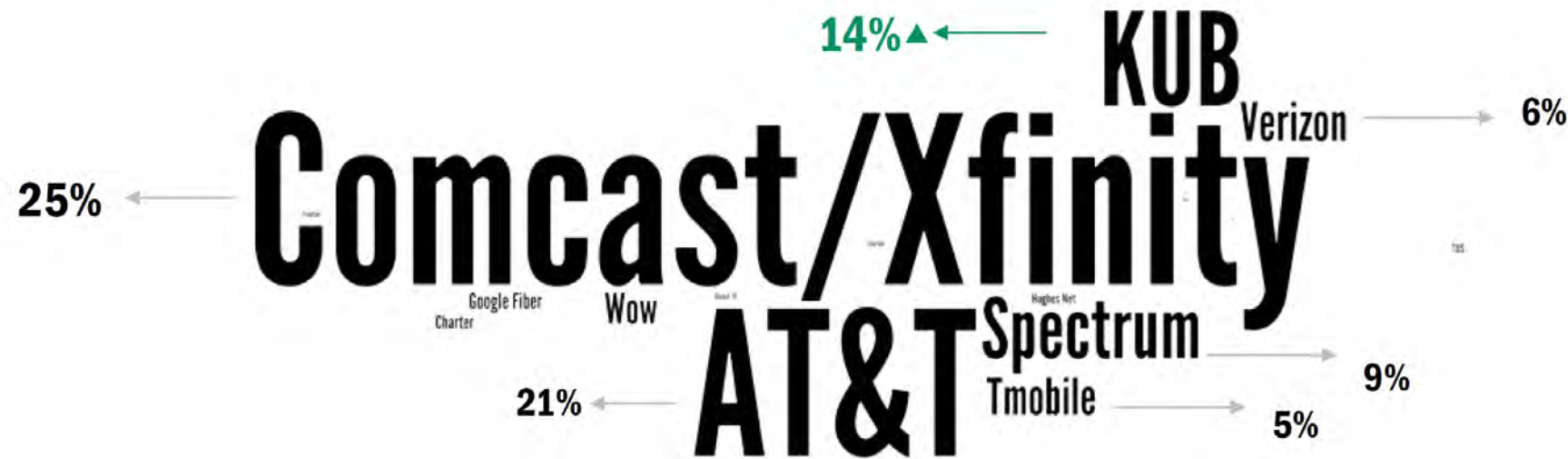
Business Customers



Results Show Awareness Strategy Working

Unaided Awareness of Tennessee Internet Providers – Total Audience

Unaided Mentions, Among Total Mentions



Top 5 Unaided Mentions

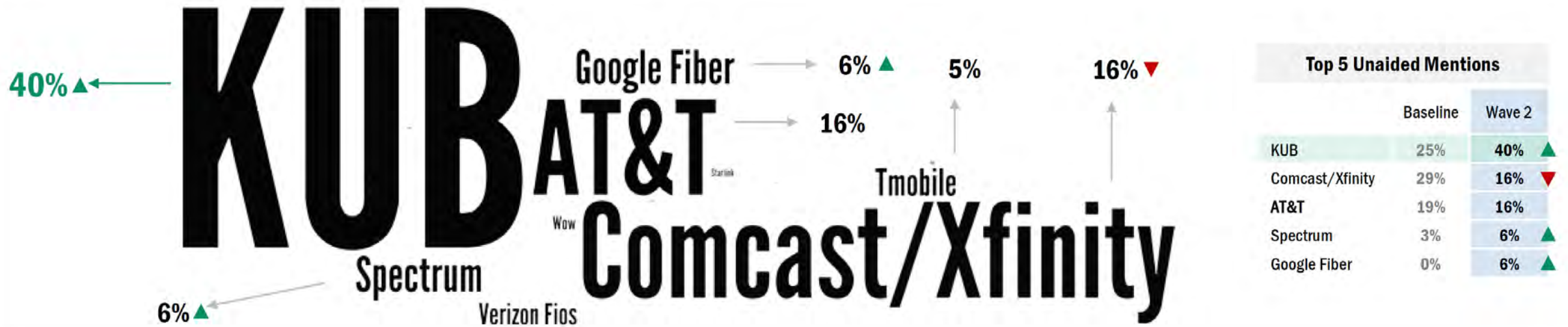
	Baseline	Wave 2
Comcast/Xfinity	30%	25%
AT&T	21%	21%
KUB	6%	14% ▲
Spectrum	7%	9%
Verizon	5%	6%

- Unaided awareness up 130% from last year
- One in five customers mention KUB Fiber first

Higher Consideration for KUB Fiber

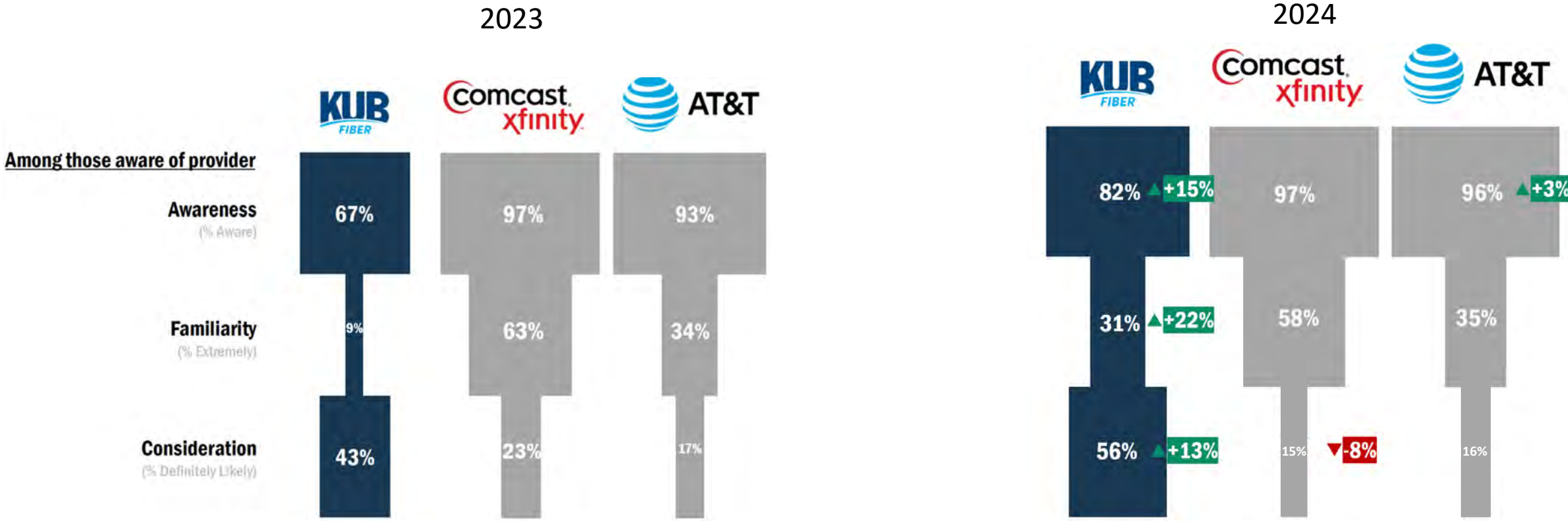
Unaided Consideration Towards Tennessee Internet Providers – Total Audience

Unaided Mentions, Among Total Mentions



- Unaided consideration up 60% from last year
- Nearly half of all potential customers considering KUB Fiber
- Gains in unaided metrics reflect successful breakthrough in market

Gains in All Aspects of the Customer Journey



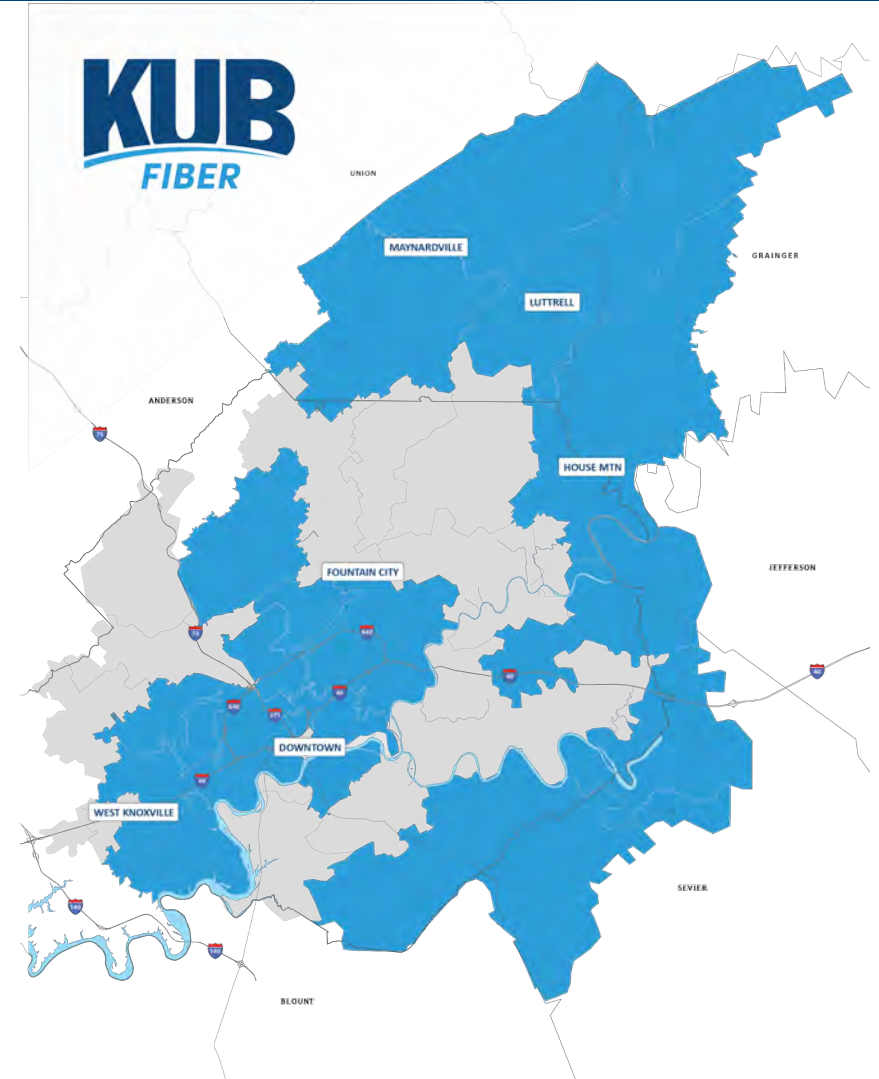
Rollout in Grant Funded Areas on Track

- Grainger County is complete and entering closeout phase
 - \$4.6M reimbursable, \$4.1M received
- Union County is 70% complete
 - \$6.5M reimbursable, \$2.3M received
 - Projected completion December 2024
- Sevier County scheduled to complete by summer 2025
- Jefferson County scheduled to complete fall 2025



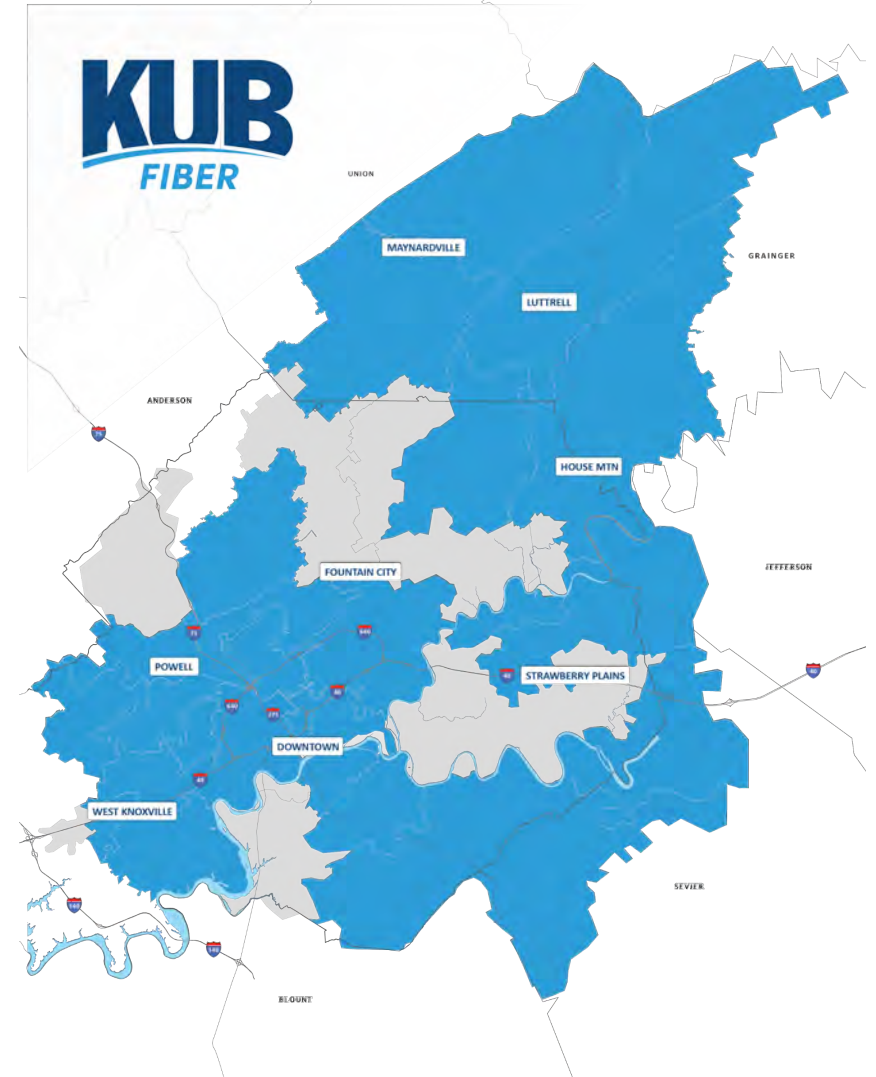
FY25 Buildout Plan

- Install an additional 1,400 miles of fiber
 - Approaching total of 3,100 miles
- Make available to an additional 65,000 customers
 - Available to almost 115,000 customers
- Service to partially unserved areas in deep north and south service area
- Nearing the halfway point of construction



Looking Ahead into FY26

- Install an additional 700 miles of fiber
 - Approaching total of 3,800 miles
- Make available to an additional 19,000 customers
 - Available to almost 134,000 customers



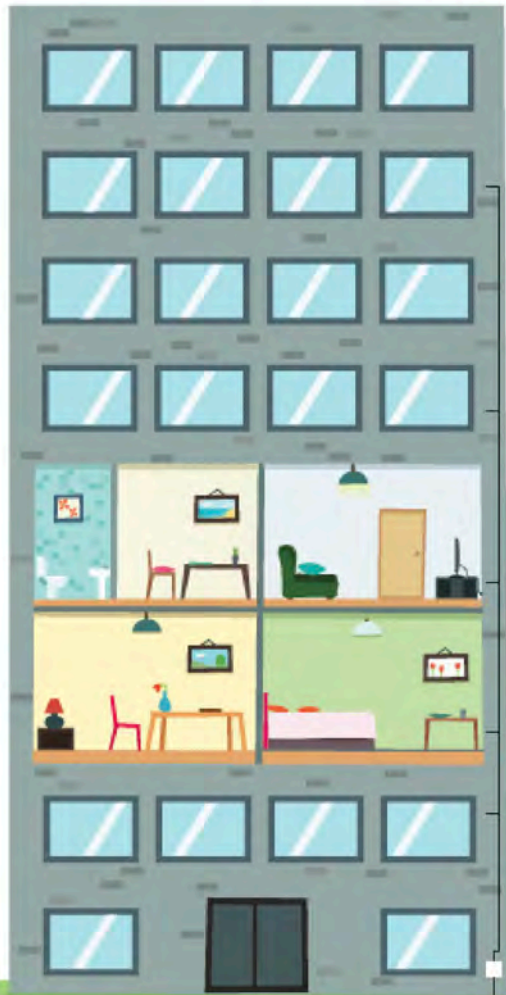
FY25 Goals

- Grow base by additional 9,300 customers
- Address challenges presented by Multiple Dwelling Units (MDU)
- Enhance and refine marketing plan to combat inertia



Multifaceted Approach to MDU's

Construction Methods



Events



Coordination



Resources



Consumer Inertia Number One Barrier to Growth

PROBLEM

Consumers are conditioned to expect less from the ISP category

GOAL

Proving that KUB Fiber is different

OUR EDGE

Reliable, true Gig speeds. Local customer support. Unmistakably Knoxville.

OUR STRATEGY

Switching is finally worth it.

Fiber Division Overview

	Electric			Gas			Water			Wastewater			Fiber		
	FY25	FY26-30	Total	FY25	FY26-30	Total	FY25	FY26-30	Total	FY25	FY26-30	Total	FY25	FY26-30	Total
Capital	\$169M	\$682M	\$851M	\$28M	\$162M	\$190M	\$58M	\$193M	\$251M	\$40M	\$224M	\$264M	\$2M	\$12M	\$14M
O&M	\$97M	\$559M	\$656M	\$29M	\$159M	\$188M	\$40M	\$220M	\$260M	\$47M	\$260M	\$307M	\$20M	\$183M	\$203M

Fiber-to-the-Home Overview FY25

- Electric
 - \$3.6M Operations and Maintenance
 - \$90.3M Capital
- Fiber
 - \$20.2M Operations and Maintenance
 - \$1.9M Capital



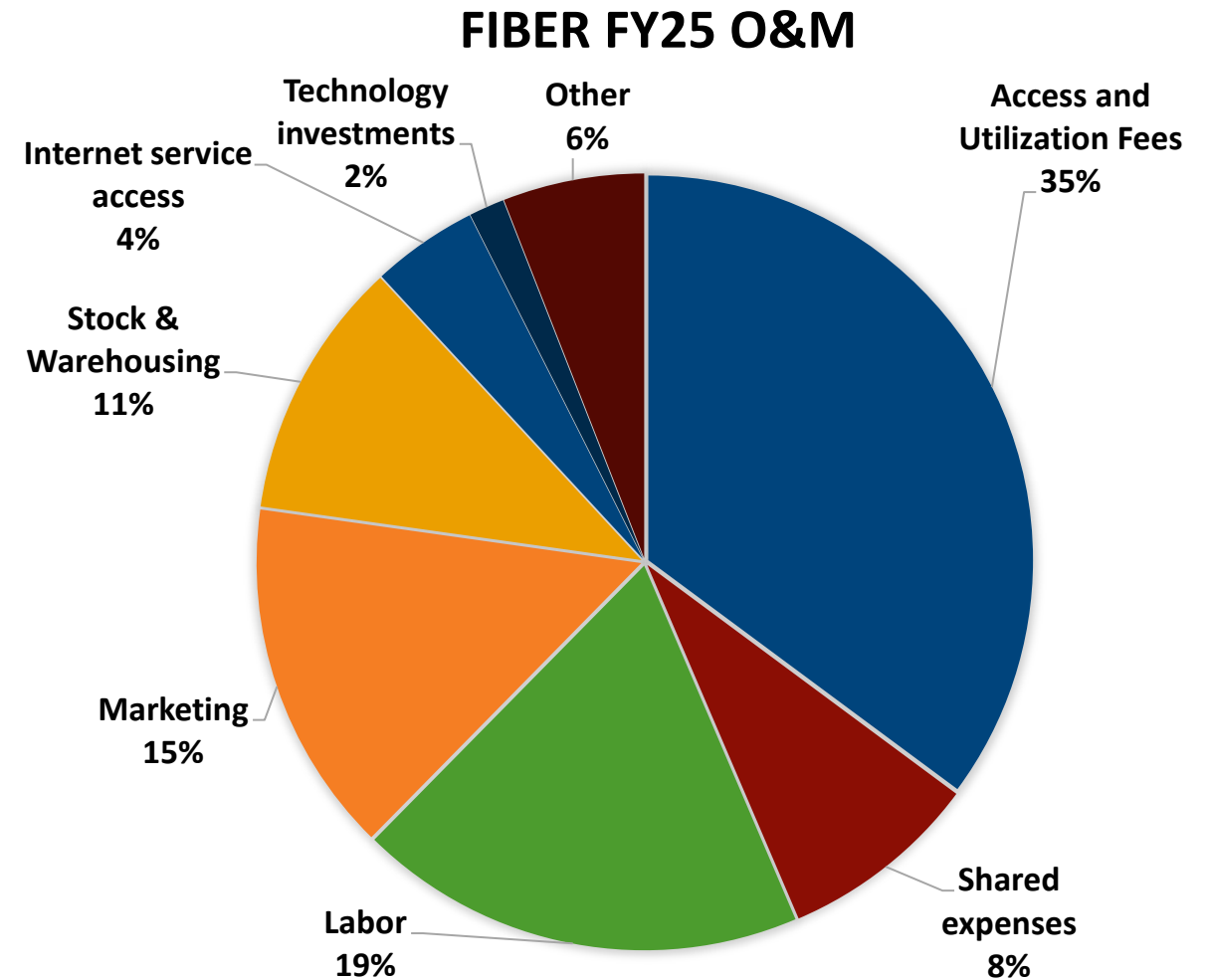
Fiber-to-the-Home & the Electric Division FY25

- Construction plan still on schedule
 - Total Capital: \$90.3M
 - Network construction: \$70.2M
 - Smart switches: \$6.0M
 - Electronic equipment: \$6.1M
 - Service connections: \$8M
 - Total Operations and Maintenance: \$3.6M
 - Network operations labor, fiber maintenance, and warehousing
- Fiber network will be fully constructed by FY29



Fiber Division FY25 Details

- Total capital: \$1.9M
 - Facilities: \$0.1M
 - Internet service infrastructure: \$1.0M
 - Information technology investments: \$0.2M
 - Vehicles: \$0.6M
- Total operations and maintenance: \$20.2M
 - Access and Utilization Fees: \$7.1M
 - Shared expenses: \$1.7M
 - Labor: \$3.8M
 - Marketing and advertising: \$3.0M
 - Stock and warehousing: \$2.2M
 - Internet service access: \$0.9M
 - Information technology investments: \$0.3M



Customers Love KUB Fiber!

Unsolicited Reviews from Social Media



Amanda M

We finally got fiber internet here in ship! It never felt so good to cut the Comcast cable!!



Ryan H

It's great A+ you should do it



Ali R

\$65 a month for 1gig! It's amazing and it's not a promotional price so it won't change. We've had it for several months and I have zero complaints.



Jesse U

We had our KUB Fiber installed 3 weeks ago. All is Good for us. We went several rounds with TV providers and ended up with an antenna plus Hulu TV, plus a handful of streaming services.



Michelle I

We've had it for about a year and LOVE it!



Jessie S

We've had it for a couple months now and it's been great! No issues so far, and it's more affordable than the xfinity we had previously.



Daneila W

Been on it for 3 mos. Love it! Support is awesome!



Lance B

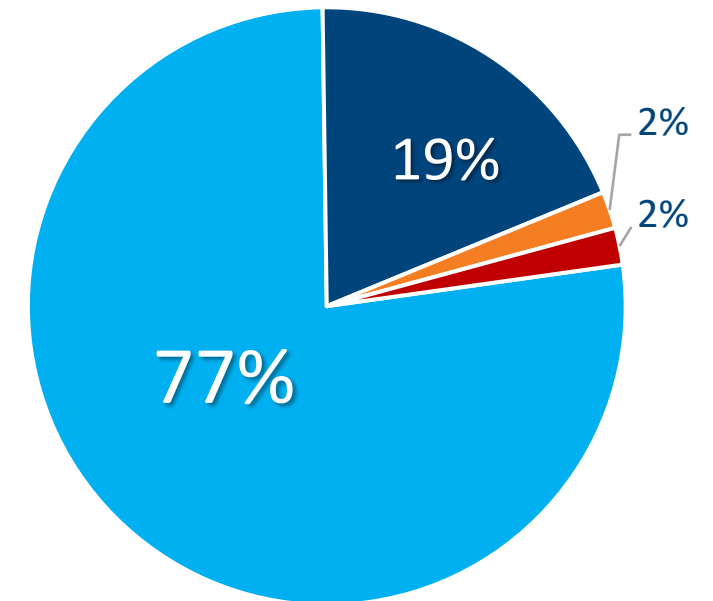
Superior so far - no issues



Kim T

We have it and love it! Reliable and fast with fantastic customer service.

96% Of Current Customers are Extremely/Very Satisfied!



■ Extremely ■ Very ■ Somewhat ■ Not at all



April 18, 2024

Long-Range Financial Plan & Proposed FY25 Budget Appropriations



Long-Term Financial Strategy

- Balanced funding approach for Century II and other programs
- Maintain competitive rates
- Financially sound utility systems
 - Liquidity
 - Cash reserves
 - Debt funded ratios/Debt coverage ratios
 - High-quality bond ratings
- Lower levels of debt funding over time
- Pursue grant funding opportunities

Inflation and Century II Renewal Increase System Funding Requirements

	FY23-FY30 Additional Costs
Electric	\$245M
Natural Gas	\$62M
Water	\$87M
Wastewater	\$79M
Total	\$473M

Financial Plan Guidelines

- Meet minimum operating cash levels
- Maintain 60 days restricted contingency cash reserves
- Build up unrestricted cash reserves
- Meet debt-related targets
- Incorporate grant awards
- Update revenue projections

	Electric	Gas	Water	Sewer
Operating Cash	\$50M	\$10M	\$7.5M	\$10M
Restricted Contingency Cash *	\$50M	\$15M	\$20M	\$25M
Unrestricted Contingency Cash **	\$20M	\$15M	\$10M	\$10M
Outstanding Debt **	≤ \$500M	≤ \$50M	≤ \$235M	≤ \$425M
Debt Service Coverage	3.0X	3.0X	2.0X	1.75X

* Commitment to Bond Rating Agencies – 2 months of operating expenses

** Represent FY30 target levels

Electric System – Recommended Funding

	Total Funding Increase	New Bonds	FY30 Total Bonds	FY30 Debt Ratio	FY25-FY30 Rate Increases					
					FY25	FY26	FY27	FY28	FY29	FY30
FY23 Plan	---	\$339M	\$491M	40%	---	---	---	---	---	---
FY25 Plan	\$245M	\$342M	\$499M	35%	4%	3%	2%	---	---	---

Gas System – Recommended Funding

	Total Funding Increase	New Bonds	FY30 Total Bonds	FY30 Debt Ratio	FY25-FY30 Rate Increases					
					FY25	FY26	FY27	FY28	FY29	FY30
FY23 Plan	---	---	\$33M	8%	---	2%	2%	2%	1%	1%
FY25 Plan	\$62M	\$5M	\$38M	8%	3%	3%	3%	2%	2%	2%

Water System – Recommended Funding

	Total Funding Increase	New Bonds	FY30 Total Bonds	FY30 Debt Ratio	FY25-FY30 Rate Increases					
					FY25	FY26	FY27	FY28	FY29	FY30
FY23 Plan	---	\$85M	\$203M	36%	5%*	6%	6%	6%	6%	6%
FY25 Plan	\$87M	\$118M	\$235M	39%	5%*	6%	6%	6%	6%	6%

** Previously approved by KUB Board*

Wastewater System – Recommended Funding

	Total Funding Increase	New Bonds	FY30 Total Bonds	FY30 Debt Ratio	FY25-FY30 Rate Increases					
					FY25	FY26	FY27	FY28	FY29	FY30
FY23 Plan	---	\$68M	\$414M	45%	4%*	2%	2%	2%	1%	1%
FY25 Plan	\$79M	\$68M	\$414M	42%	4%*	2%	2%	2%	2%	2%

** Previously approved by KUB Board*

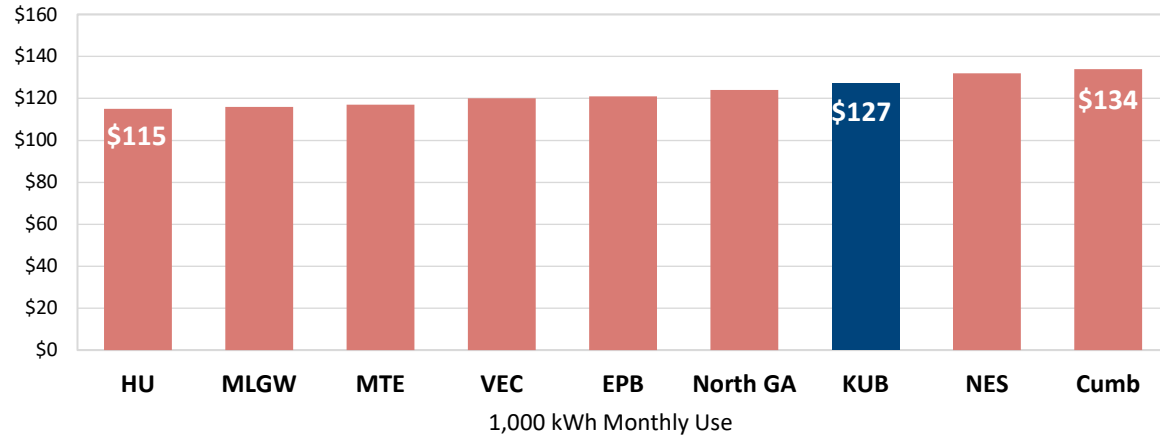
Recommended Rate Actions

Rate Increases				
	FY25	FY26	FY27	FY28
Electric	4%	3%	2%	
Natural Gas	3%	3%	3%	
Water		6%	6%	6%
Wastewater		2%	2%	2%

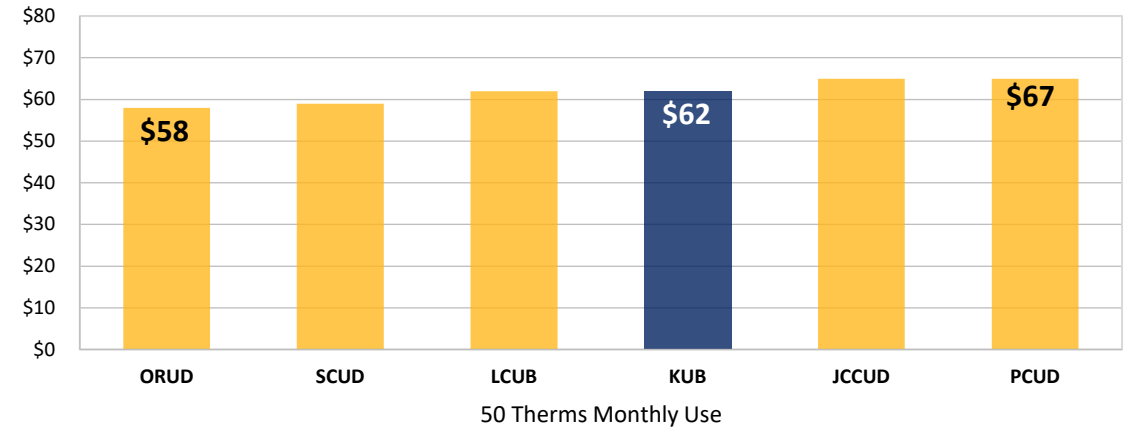
Monthly Bill Impacts				
	FY25	FY26	FY27	FY28
Electric	\$5.00	\$3.85	\$2.65	
Natural Gas	\$1.90	\$1.95	\$2.00	
Water		\$2.00	\$2.15	\$2.30
Wastewater		\$1.45	\$1.50	\$1.55

Residential Bill Comparisons*

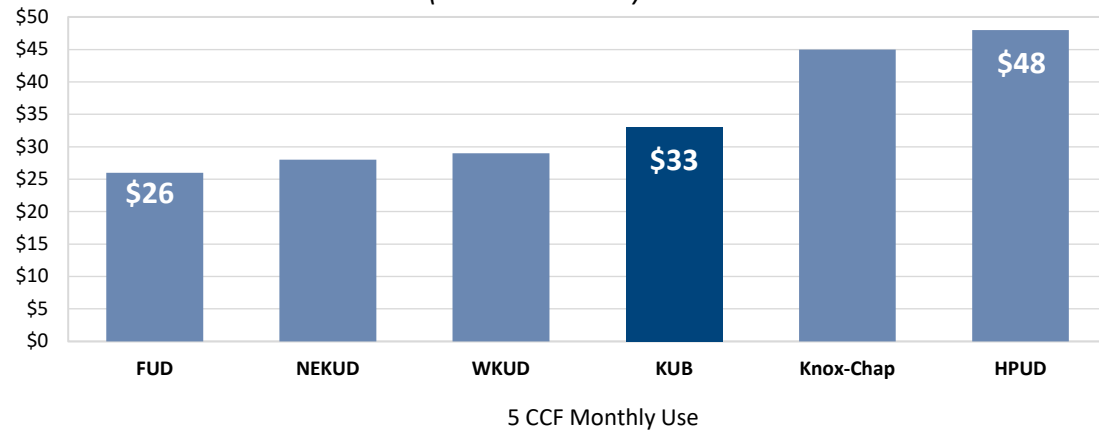
Electric Bill Comparison
(“Big 9” TVA Distributors)



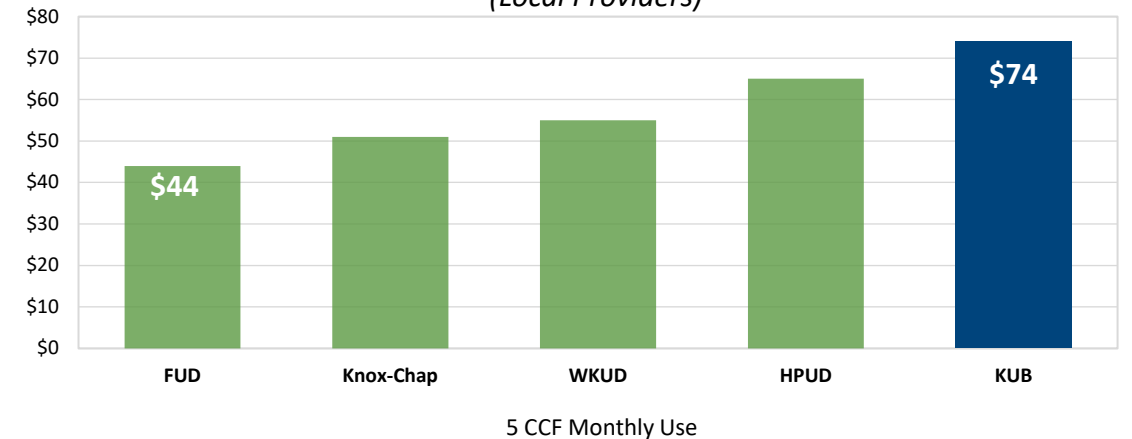
Gas Bill Comparison
(Regional Gas Distribution Companies)



Water Bill Comparison
(Local Providers)



Wastewater Bill Comparison
(Local Providers)



* Includes previously approved rate increases

Long-Range Financial Plan Update

- Includes additional \$473M for inflation and Century II renewal compared to prior long-range plan
- Total capital spend \$1.6B for FY25-FY30
- Anticipate issuance of \$370M in new bonds for FY25-FY30
- Total outstanding bonds \$1.2B by 2030
- Financing plan includes annual rate increases
- Recommend adoption of three years of rate increases for electric, gas, water, and wastewater
- Recommend adoption of \$1.2B budget for FY25

FY25 Budget Overview

- Proposed budget \$1.2B
- Up \$66M or 6% compared to FY24 forecast
- O&M up \$21M reflecting inflationary pressures
- \$297M capital budget includes \$148M for Century II and \$90M for electric system fiber infrastructure
- \$111M in new bonds help fund capital budget
- Budgeted interest rate on new bonds is 4.50%

Proposed FY25 Budget: \$1.2B

	Electric	Fiber	Gas	Water	Wastewater	Total
Energy Cost	\$455.4	\$2.0*	\$59.0	\$ ---	\$ ---	\$516.4
O&M	\$97.6	\$20.2	\$29.3	\$40.0	\$47.1	\$234.2
Capital	\$168.4	\$1.9	\$28.3	\$58.3	\$40.3	\$297.2
Debt Service	\$36.3	\$3.9	\$9.3	\$15.9	\$32.7	\$98.1
Taxes and Equivalents	\$24.7	\$0.4	\$9.0	\$5.4	\$7.2	\$46.7
Loan to Fiber	\$11.0	\$ ---	\$ ---	\$ ---	\$ ---	\$11.0
\$ in Millions	\$793.4	\$28.4	\$134.9	\$119.6	\$127.3	\$1,203.6

* Fiber Cost of Goods Sold

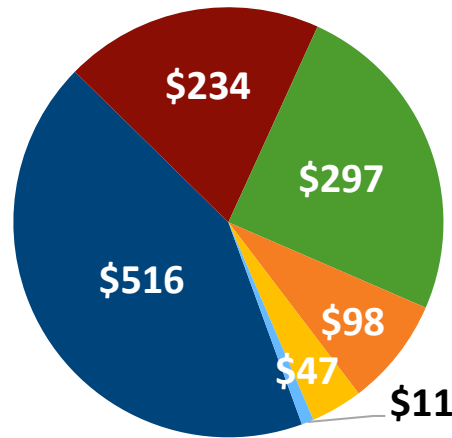
Proposed FY25 Budget Up \$66M

	FY25	FY24	Increase	
	<u>Proposed</u>	<u>Forecast</u>	<u>(Decrease)</u>	
Energy Cost	\$516.4	\$503.3	\$13.1	Customer additions
O&M	\$234.2	\$213.0	\$21.2	Labor-related costs and inflation
Capital	\$297.2	\$279.2	\$18.0	Century II renewal and inflation
Debt Service	\$98.1	\$92.8	\$5.3	\$111M in new bonds
Taxes & Equivalents	\$46.7	\$42.6	\$4.1	Investment in utility infrastructure
Loan to Fiber	<u>\$11.0</u>	<u>\$7.0</u>	<u>\$4.0</u>	
	\$1,203.6	\$1,137.9	\$65.7	

\$ in Millions

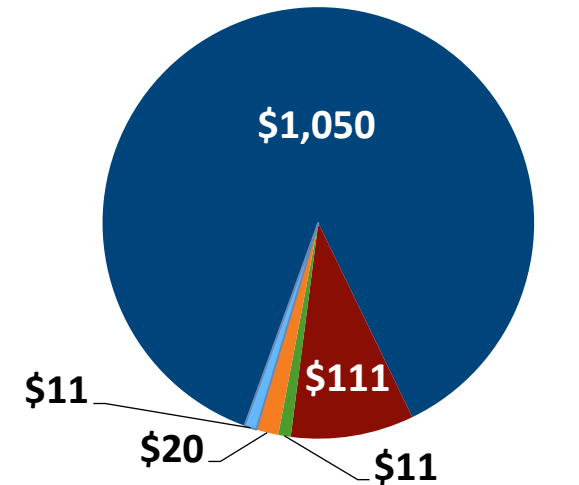
Funding FY25 Budget

Budget = \$1.2B



- Wholesale Energy = 43%
- O&M = 19%
- Capital = 25%
- Debt Service = 8%
- Taxes and Equivalents = 4%
- Loan to Fiber = <1%

Funding = \$1.2B



- System Revenues = 87%
- Bonds = 9%
- Cash on Hand = 1%
- Grants = 2%
- Loan to Fiber = 1%

May Board Meeting: Official Action Items

- FY24 additional budget appropriations for wastewater
- FY25 budget appropriations
- FY25 commitment appropriations
- \$111M revenue bonds
 - \$91M electric
 - \$20M water
- Three years of rate increases
- Other rate-related items

KUUB

KNOXVILLE
UTILITIES BOARD

Thank You

Finance & Accounting

Rebekah Damron
Brian Day
Chris Hood
Rick Jackson
Matt White

Fiber

Jessica Barton
Andrew Hmielewski
Seth Hughes
Ben Mainor
Jay Miller
Melissa Reynolds
Halee Tucker

Communications & Executive Services

Taylor Crosby
Liz Hannah
Debbie Hullet
Marisa Rios
Cameron Rowlett

Water & Wastewater

Ed Gil
Drew Keller
Noah Newport
Steve Watson

Electric & Gas

Ben Carey
Mathew Stinnett
Landon Williams

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