

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

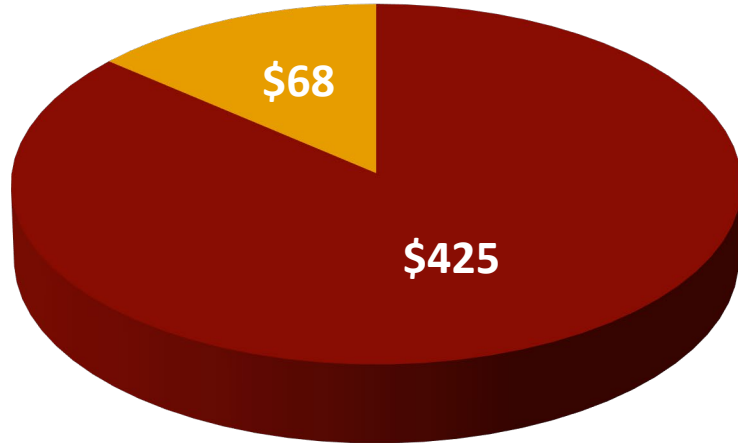
Program/Project	FY23 Appropriations
Fiber Network and Services	\$79.2M
MBW Water Filter Project	\$28.6M
Western Avenue Electric Substation	\$15.2M
Stadium-Related Utility Infrastructure	\$13.2M
Vegetation Management	\$12.9M
Customer Assistance Programs	\$ 8.6M
TDOT – Lovell Rd. High Pressure Gas	\$ 7.2M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

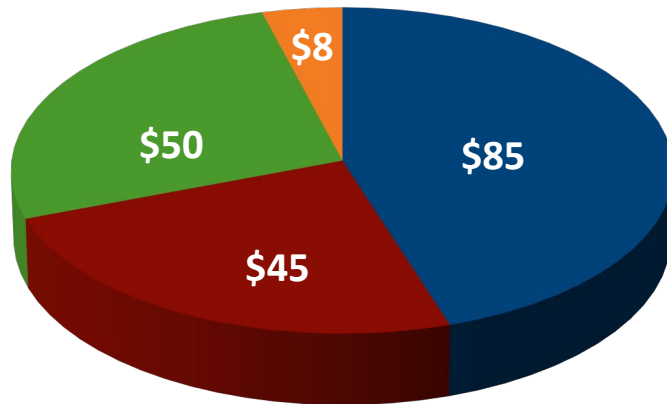


■ Electric power = 86% ■ Natural gas = 14%

- 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

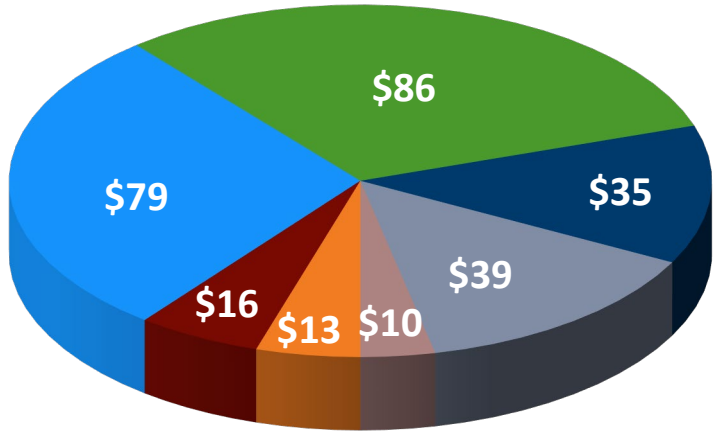


- Labor-related = 45%
- Outside services = 24%
- Materials/other = 27%
- Fiber Fees/COGS = 4%

- 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

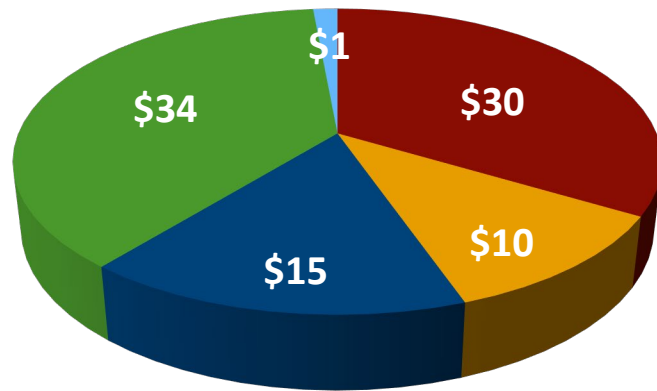


- Information technology = 5%
- Facilities/equipment = 6%
- System infrastructure = 89%
- Fiber network/services = 28%
- System improve/replace = 31%
- Plant improvements = 13%
- Growth = 14%
- Relocations = 3%

- 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

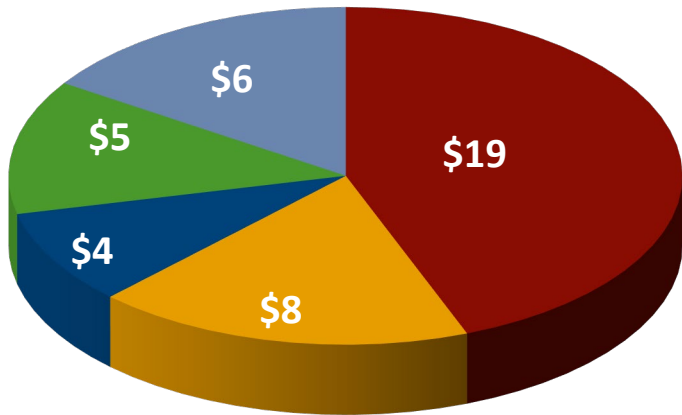


- Electric = 34%
- Natural Gas = 11%
- Water = 16%
- Wastewater = 38%
- Fiber = 1%

- 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

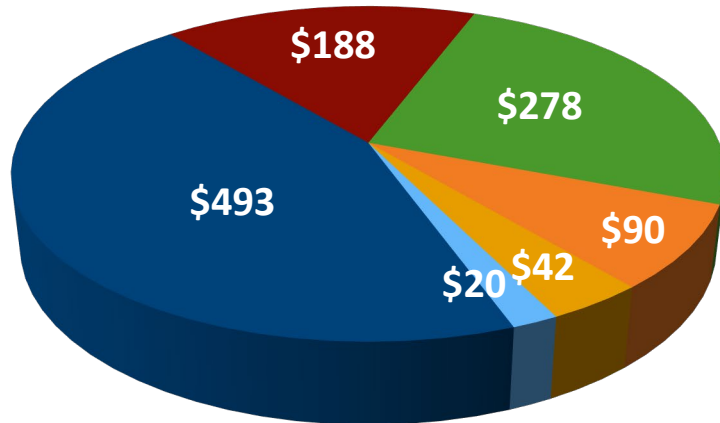


- Electric = 44%
- Natural Gas = 18%
- Water = 9%
- Wastewater = 13%
- FICA = 16%

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

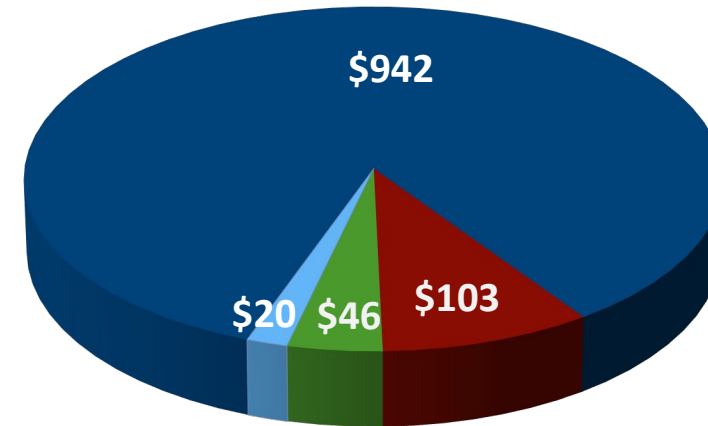
Funding FY23 Budget

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

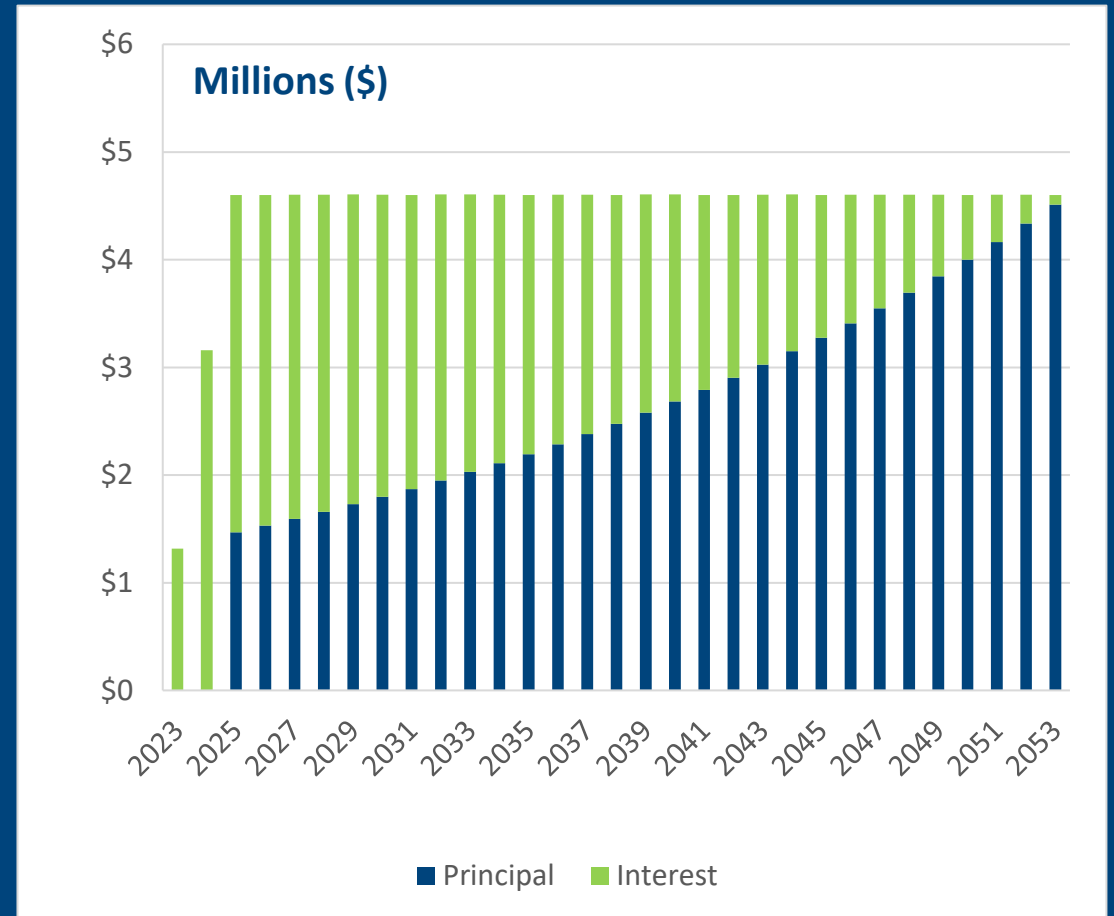
* Residential increases applied only to commodity costs

- 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)

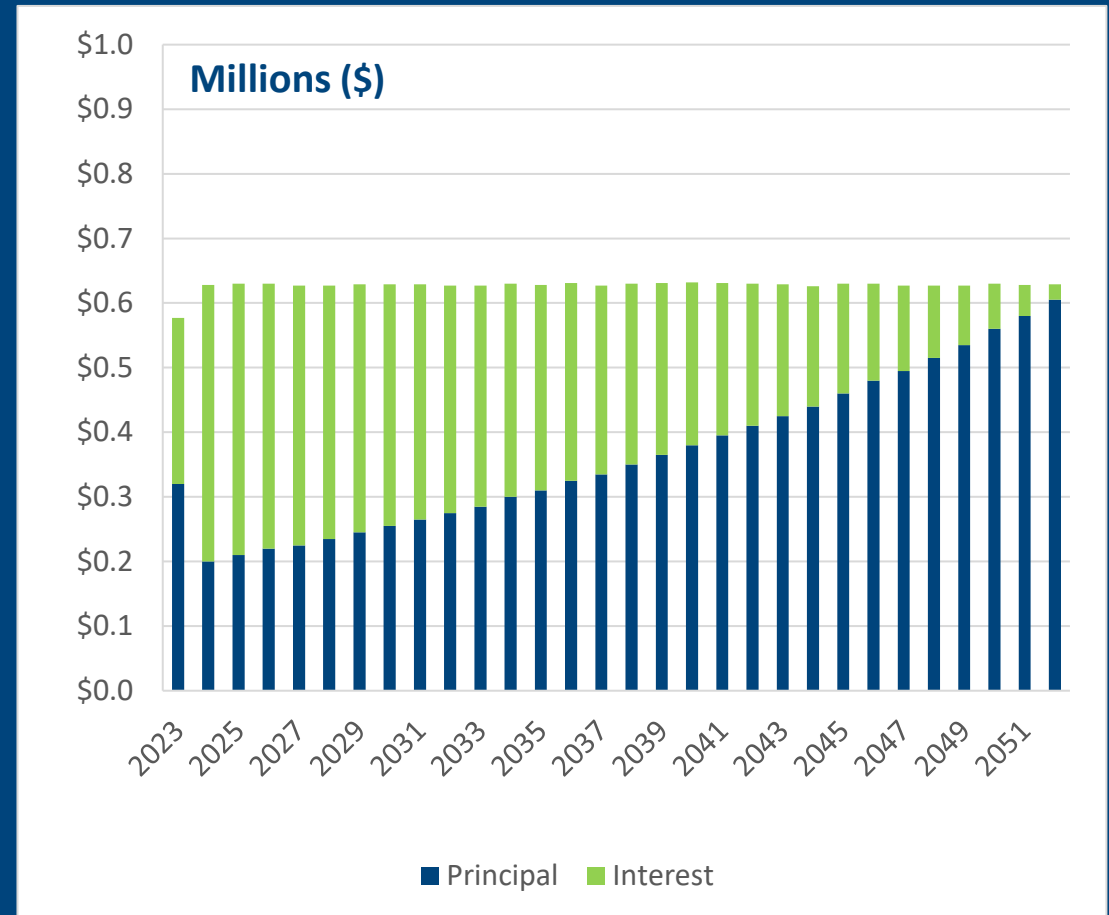
Proposed Debt Service on \$79M New Bonds



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)

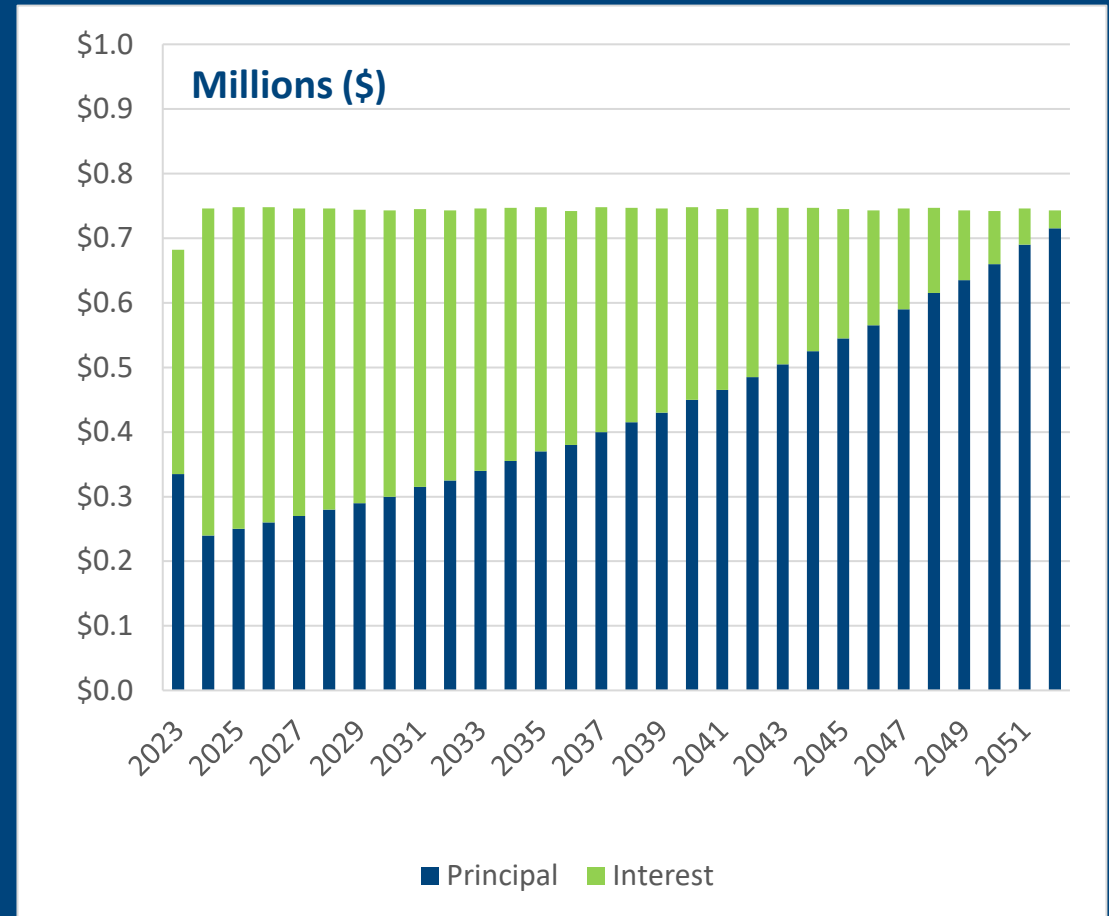
Proposed Debt Service on \$11M New Bonds



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

KUB

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

KUB