

# Proposed FY24 Budget Reflects Fiber Rollout & Sustains Century II Funding

- Proposed budget \$1.2B
- Up \$73M – reflecting inflation and higher level of capital investment
- Capital budget \$284M
  - \$135M for Century II
  - \$81M for fiber network and services
- \$85M of new bonds help fund capital budget

# FY24 Key Programs and Projects

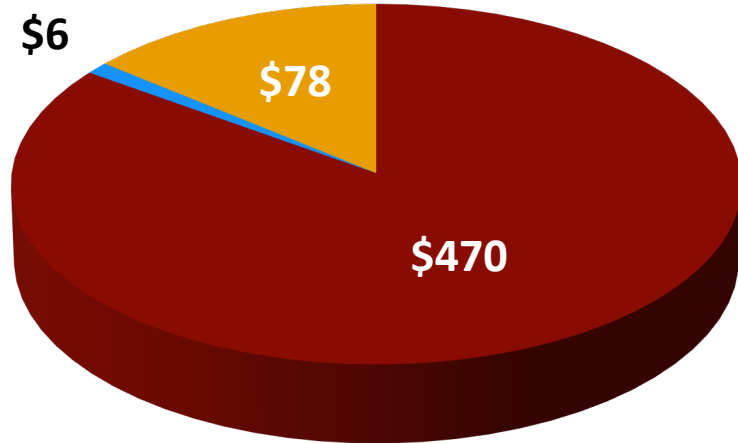
<b>Program/Project</b>	<b>FY24 Appropriations</b>
Fiber Network and Services	\$81.3M
MBW Water Filter Project	\$32.7M
Vegetation Management	\$16.1M
Stadium-Related Utility Infrastructure	\$11.7M
Vehicles and Equipment	\$10.7M
Neyland Drive Wastewater Trunkline	\$ 7.7M
Jones Street WW Pump Station	\$ 3.8M

# Proposed FY24 Budget: \$1.2 Billion

	<b>Electric</b>	<b>Gas</b>	<b>Water</b>	<b>Wastewater</b>	<b>Fiber</b>	<b>Total</b>
<b>Energy Cost</b>	\$470.4	\$ 78	\$ ---	\$ ---	\$ 6	\$ 554.4
<b>O&amp;M</b>	\$ 86.3	\$ 27.6	\$ 36	\$ 44.6	\$18.9	\$ 213.4
<b>Capital</b>	\$150.4	\$ 28.7	\$ 55.2	\$ 47.5	\$ 1.7	\$ 283.5
<b>Debt Service</b>	\$ 33.9	\$ 9.6	\$ 14.7	\$ 33.5	\$ 3	\$ 94.7
<b>Taxes and Equivalents</b>	\$ 22.5	\$ 8.8	\$ 5.3	\$ 6.8	\$ 0.4	\$ 43.8
<b>Loan to Fiber</b>	\$ 9					\$ 9
<b>\$ in Millions</b>	<b>\$772.5</b>	<b>\$152.7</b>	<b>\$111.2</b>	<b>\$132.4</b>	<b>\$30</b>	<b>\$1,198.8</b>

# Wholesale Energy Budget Driven by Customer Demand

**FY24 Wholesale Energy/COGS = \$554M**

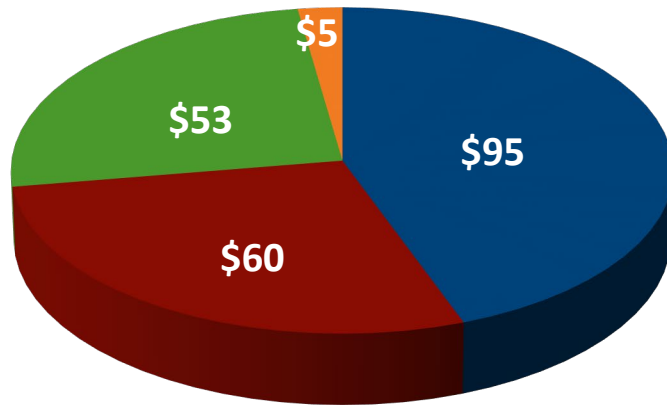


- Electric power = 85%
- Fiber COGS = 1%
- Natural gas = 14%

- Electric power
  - 6 billion kWh
  - 217,000 electric customers
- Natural gas
  - 10.9 million dekatherms
  - 108,000 natural gas customers
- Fiber Cost of Goods Sold (COGS)
  - \$0.2M telephone costs
  - \$5.8M television costs

# O&M Budget Supports Systems Reliability

**FY24 O&M = \$213M**

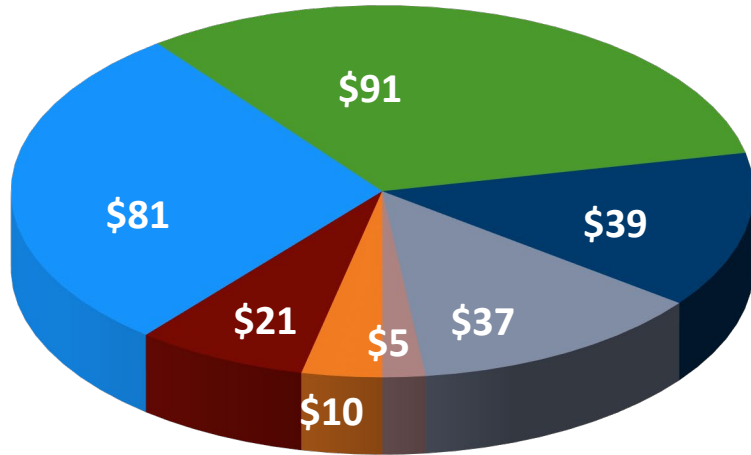


- Labor-related = 45%
- Outside services = 24%
- Materials/other = 27%
- Fiber fees to EL = 4%

- Labor-related costs
  - Payroll \$72M
  - Benefits and training \$16M
  - Post-employment benefits \$7M
- Outside services
  - Vegetation management \$16M
  - Facilities maintenance \$5M
- Materials/other costs
  - Utilities \$10M
  - Stock materials \$10M
  - Chemicals \$4M
- Fiber fees
  - Access fee \$3M
  - Utilization fee \$2M

# Capital Budget Continues Century II Programs

**FY24 Capital = \$284M**

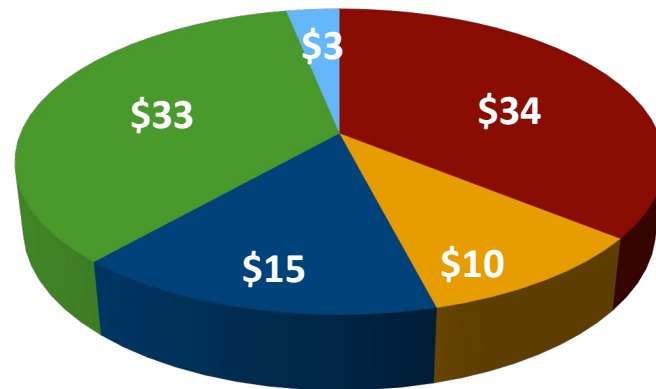


- Information technology = 3%
- Facilities/equipment = 7%
- System infrastructure = 90%
- Fiber network/services = 29%
- System improve/replace = 32%
- Plant improvements = 14%
- Growth = 13%
- Relocations = 2%

- Distribution system improvements **\$91M**
  - Wastewater main replacements \$21M
  - Electric transmission line improvements \$12M
  - Electric substation upgrades \$10M
  - Electric distribution line improvements \$7M
  - Water main replacements \$5M
  - Utility relocation projects \$5M
  - Jones Street Wastewater Pump Station \$4M
  - Natural gas steel main replacements \$4M
  - Pole replacement \$4M
- Fiber network and services **\$81M**
- Plant improvements **\$39M**
  - Water filter project at MBW \$33M
  - Kuwahee Treatment Plant improvements \$2M
  - Loves Creek Treatment Plant improvements \$1M

# Debt Budget Reflects Investments in Infrastructure

**FY24 Debt Service = \$95M**

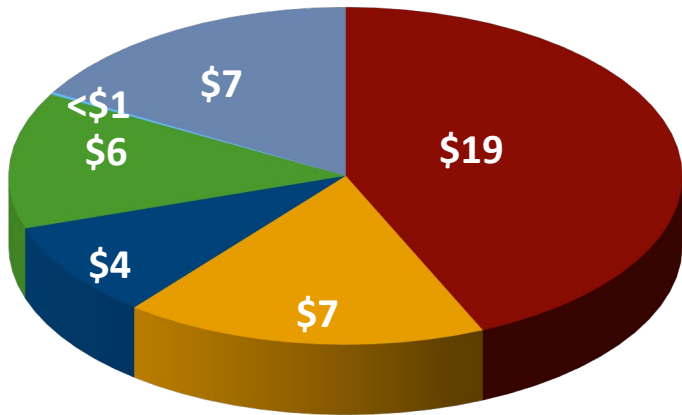


- Electric = 36%
- Natural gas = 10%
- Water = 16%
- Wastewater = 35%
- Fiber = 3%

- FY24 principal: \$49M
- FY24 interest: \$46M
- Outstanding bonds: \$1.1B
- New bonds: \$85M
  - Electric: \$55M
  - Water: \$20M
  - Wastewater: \$10M
- Electric loan to fiber: \$9M

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

FY24 Taxes and PILOTs = \$44M



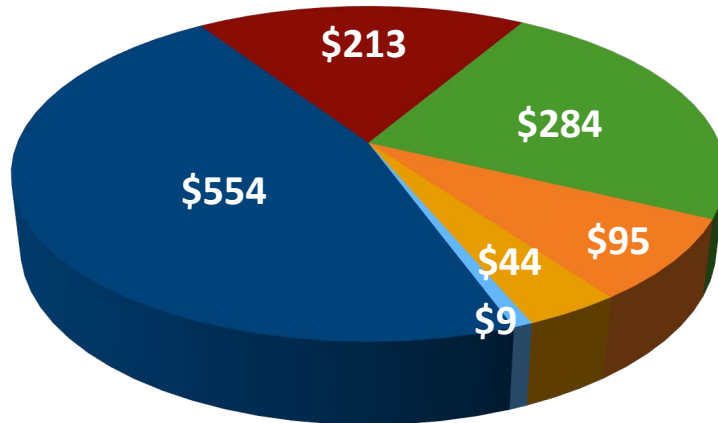
- Electric = 44%
- Natural gas = 17%
- Water = 9%
- Wastewater = 13%
- Fiber = <1 %
- FICA = 17%

- PILOTs \$37M
  - City \$25M
  - Knox County \$11M
  - Other counties \$1M
- Payroll tax expense \$7M



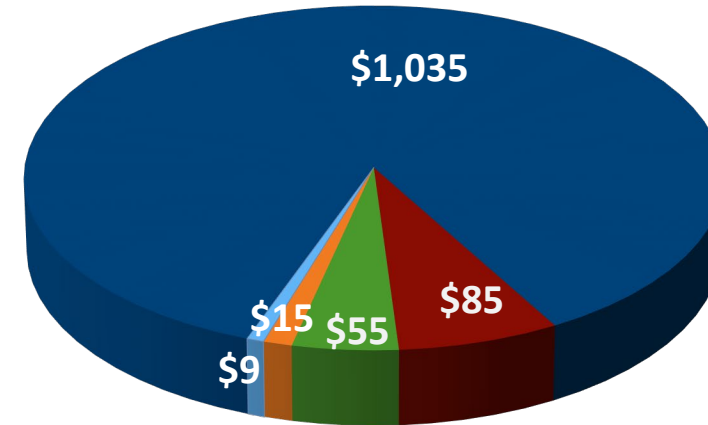
# Funding FY24 Budget

**Budget = \$1.2B**



- Wholesale energy = 46%
- O&M = 18%
- Capital = 24%
- Debt service = 8%
- Taxes and equivalents = 4%
- Loan to fiber = <1%

**Funding = \$1.2B**



- System revenues = 86%
- Bonds = 7%
- Cash on hand = 5%
- Grants = 1%
- Loan to fiber = <1%

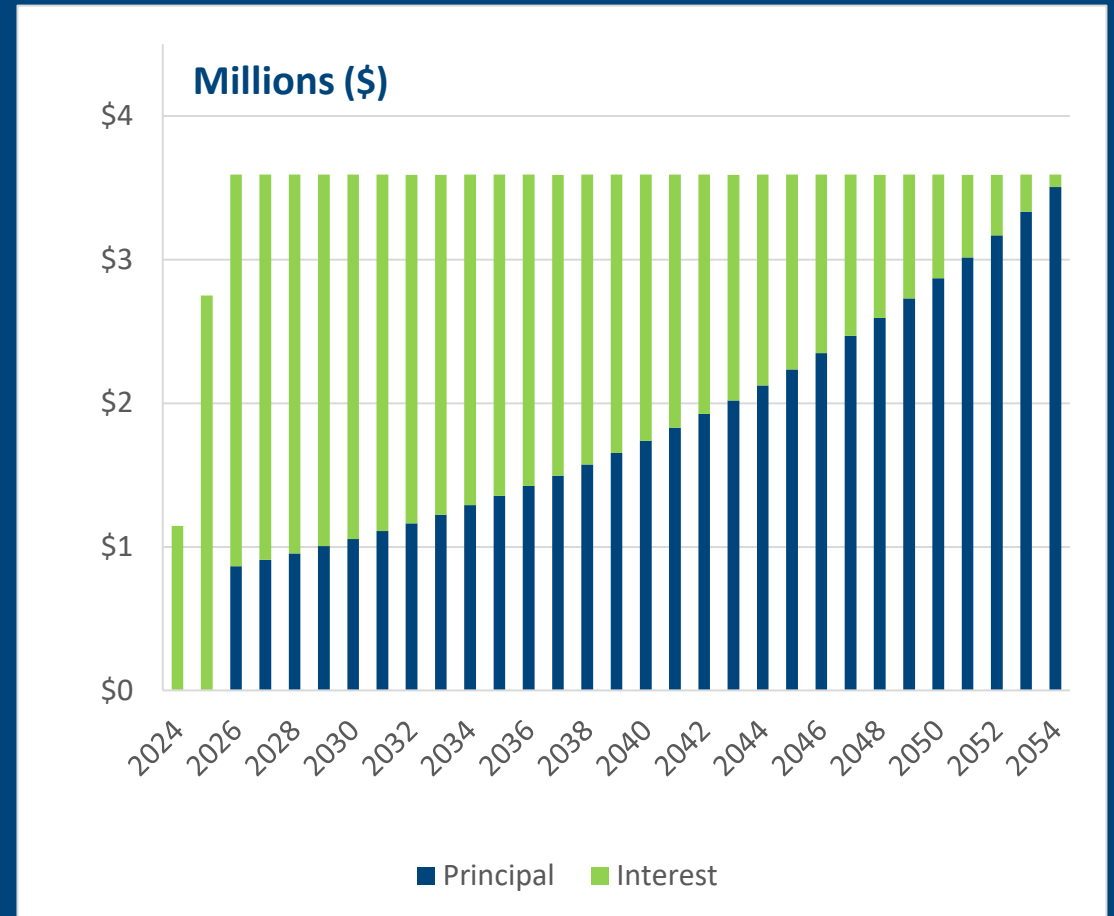
# Proposed Sale of \$85M in New Bonds

- Electric \$55M
- Water \$20M
- Wastewater \$10M
- Bonds will mature over 30 years
- Projected interest rate 5%
- Callable for early redemption after 10 years
- Secured solely by issuing system revenues
- Public competitive sale this fall

# Proposed New Electric Bonds - \$55M

- Projected interest cost: \$53M
- Fully mature July 2053
- FY end electric debt service: \$665M
  - Bonds \$425M
  - Interest \$240M
- \$293M of total debt service paid over next 10 years (\$154M bonds)

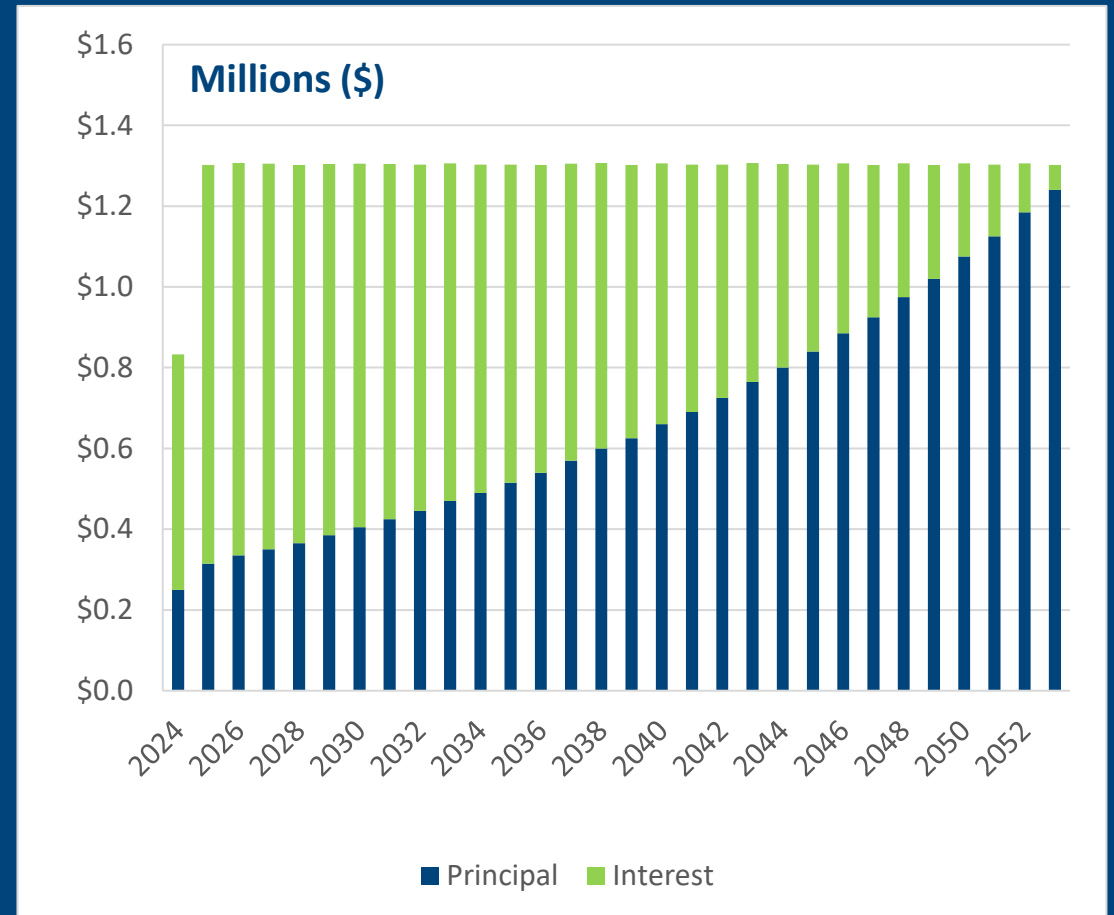
Proposed Debt Service on \$55M New Bonds



# Proposed New Water Bonds - \$20M

- Projected interest cost: \$19M
- Fully mature March 2053
- FY end water debt service: \$296M
  - Bonds \$204M
  - Interest \$92M
- \$150M of total debt service paid over next 10 years (\$92M bonds)

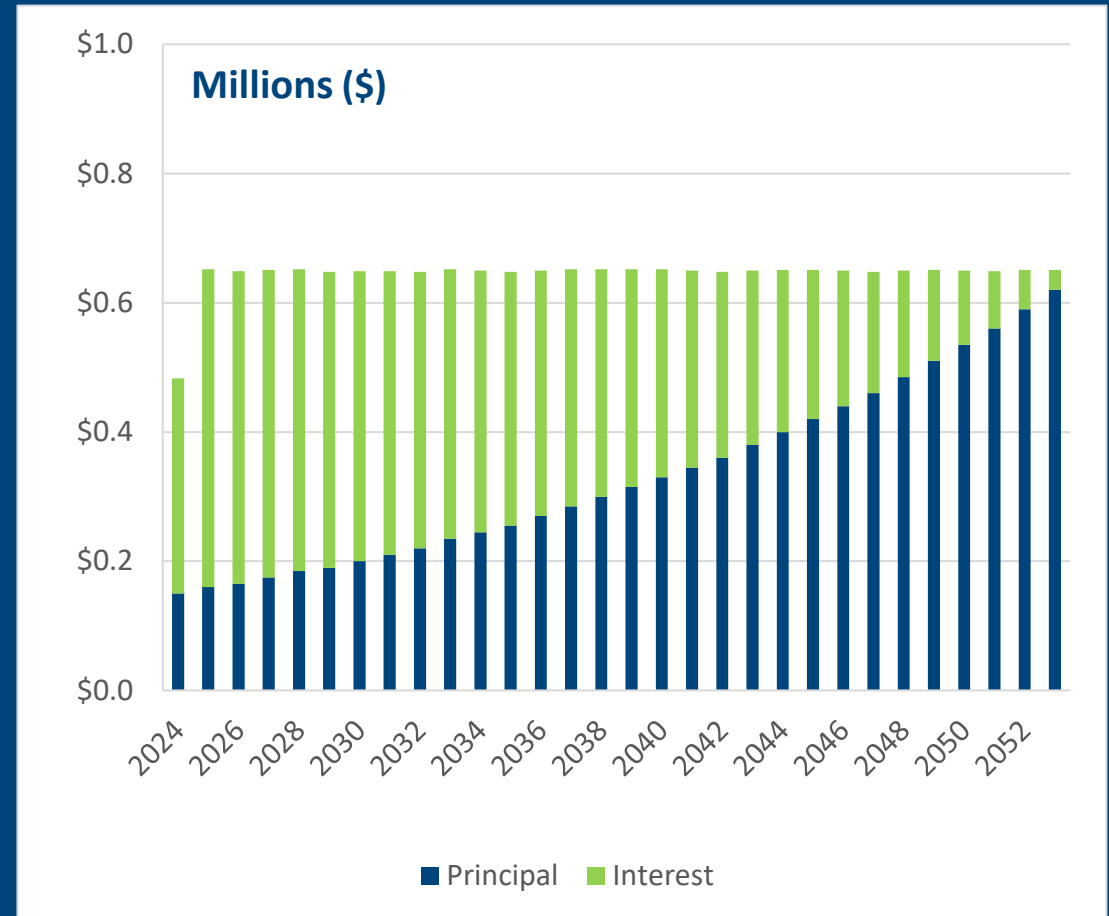
Proposed Debt Service on \$20M New Bonds



# Proposed New Wastewater Bonds - \$10M

- Projected interest cost: \$9M
- Fully mature in April 2053
- FY end wastewater debt service: \$726M
  - Bonds \$477M
  - Interest \$249M
- \$330M of total debt service paid over next 10 years (\$168M bonds)

Proposed Debt Service on \$10M New Bonds



# Estimated Professional Fees for Bonds

Cost	Professional Firm	\$ Amount
Financial Advisor	Cumberland Securities	\$ 105,000
Bond Counsel	Bass Berry & Sims	\$ 92,000
Rating Agency	Moody's Investors Service	\$ 97,000
Rating Agency	Standard & Poor's	\$ 79,000
Paying Agent	Regions Bank	\$ 2,000
		\$375,000
Other Costs (POS, Advertising, etc.)		\$ 40,000
		\$415,000