

Employees donated
**\$193,000 for
United Way**
during the 2024
fundraising campaign



Environment, Social, & Governance Report
www.kub.org/annualreport



April 17, 2025

Fiscal Year 2026 Budget & Long Range Plan





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) 2025 – Year in Review

- Continued award-winning performance
- Operational achievements
 - Water filters project on track and on budget
 - \$5M grant for gas steel main replacement
 - Hurricane Helene response
- Progress on strategic initiatives
 - Fiber growth goals achieved
 - Workforce development strategy/leadership development underway
 - Grid modernization strategy underway and Flexibility Allocation under contract
- First year of Inflation Response Plan deployment

Financial Highlights

- Long range plan projections through FY30
- Proposed FY26 budget - \$1.3 billion
 - Represents an increase of \$53 million, or 4%
 - Includes capital budget of \$271 million
 - O&M budget of \$263 million
 - \$55 million in new bonds
- No changes to adopted or planned rate increases through FY30

Agenda

- Electric and Natural Gas – Doug Miller
- Water and Wastewater – Nathan Babelay
- *Break*
- Fiber – Andrew Hmielewski
- Information Technology – Eric Greene
- Financials – Chris Hood



April 17, 2025

Electric Division



Electric System

Customers: 222,424

Service Territory:
688 square miles

Electric Lines: 5,567 miles

Distribution Overhead: 4,102 miles

Distribution Underground: 1,200 miles

Transmission: 265 miles

Infeed Substations: 10

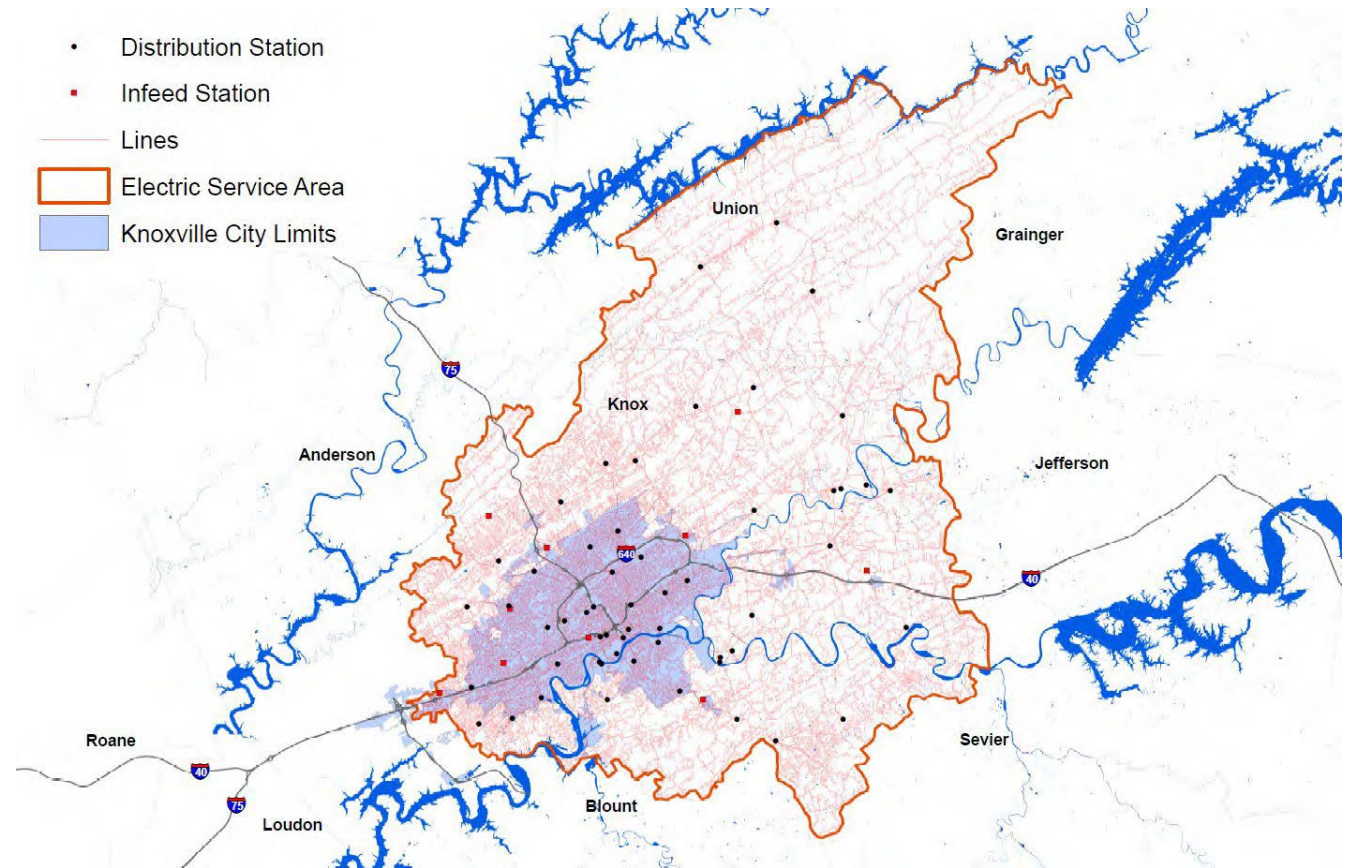
Substations: 64

System Capacity: 3,360 MW

Peak Hourly Demands:

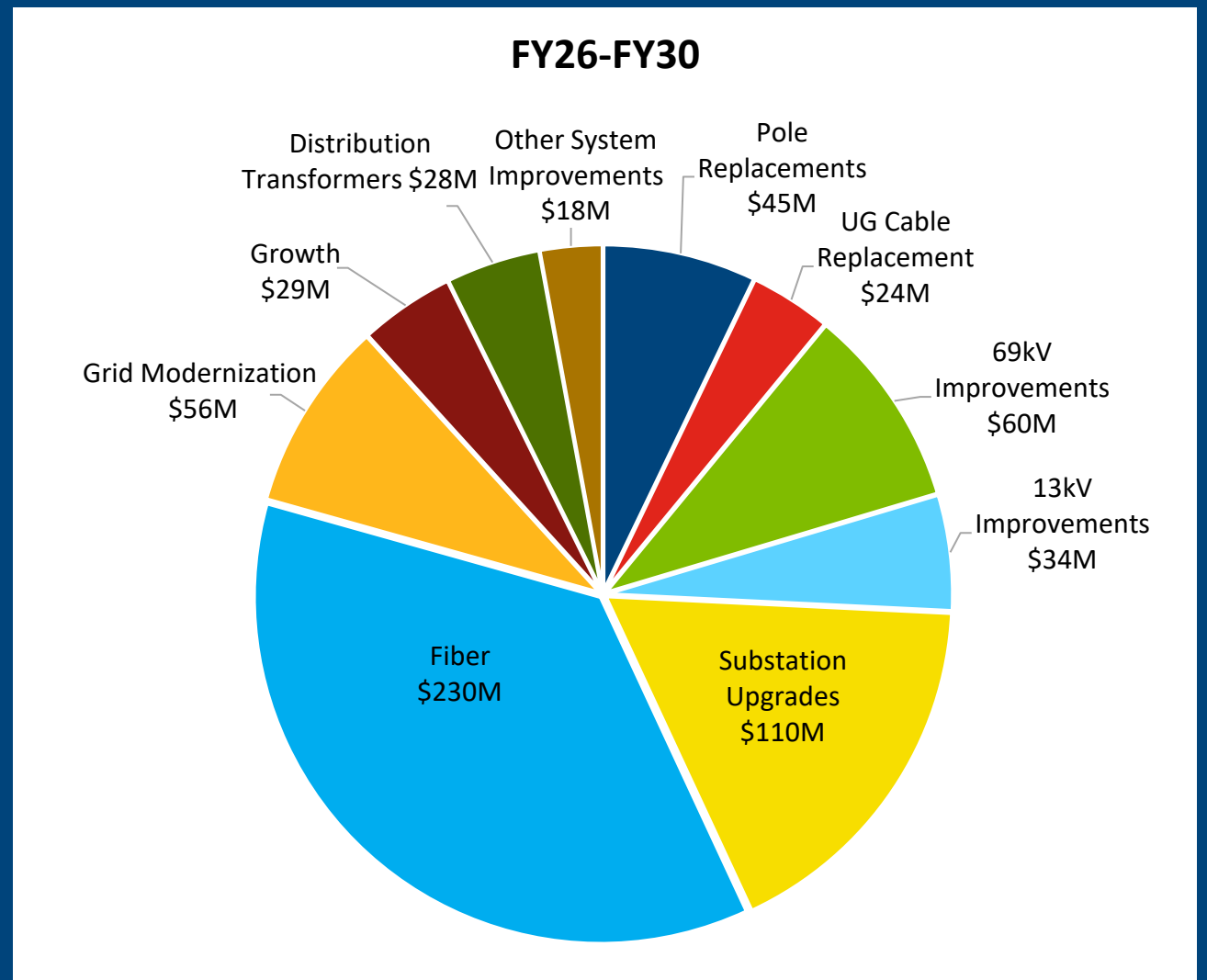
Winter: 1,350 MW (Jan. 2024)

Summer: 1,235 MW (Aug. 2007)



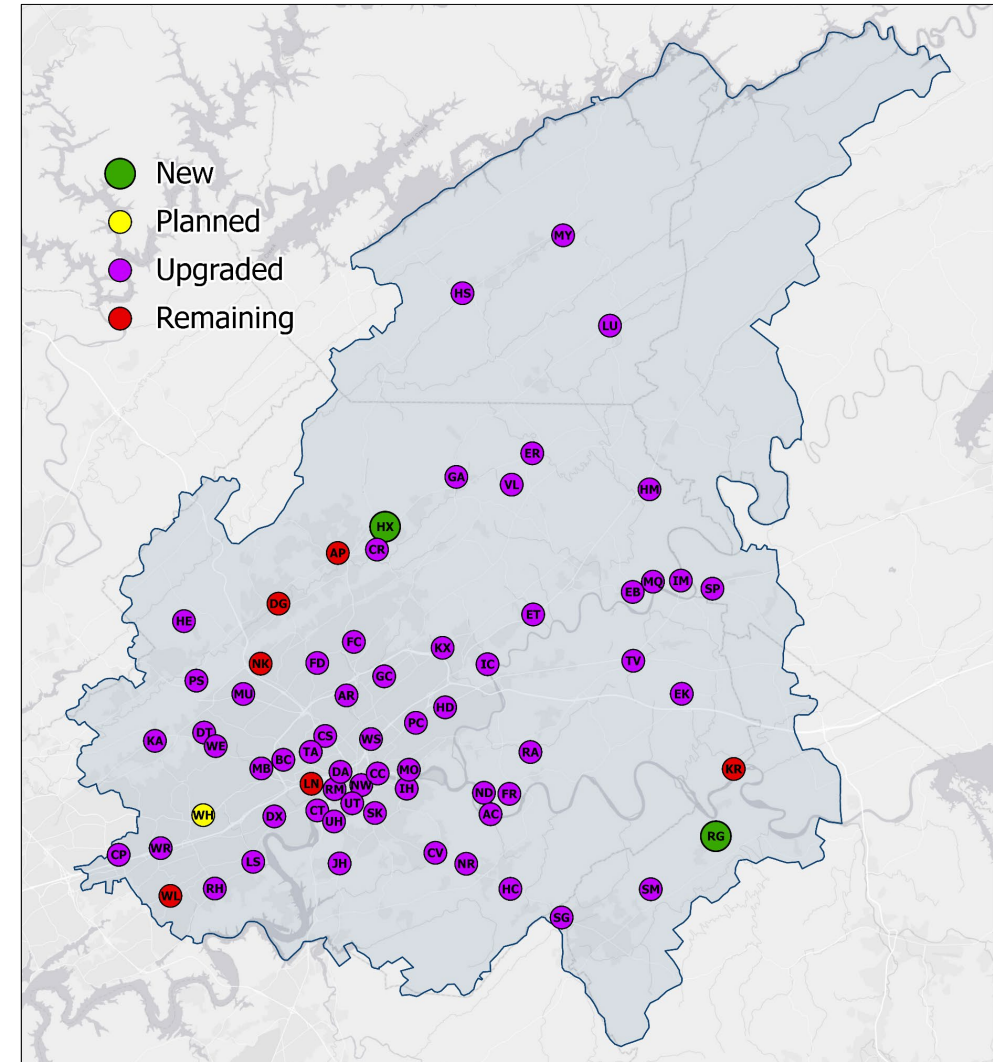
Electric Infrastructure Investments

- FY26: \$135M
- FY27-FY30: \$499M
- Key assets
 - Substations
 - Transmission system
 - Distribution system
 - Grid modernization



Substation Projects – Long Range Highlights

- Century II refurbishments continue
 - Add capacity to seven substations (FY26-FY30)
 - Three legacy TVA infeeds included in the plan
- Build two new distribution substations
 - Halls (FY26-FY27)
 - Rays Gap (FY28-FY29)
- Substation transformer replacement program
 - One unit in FY26 (\$1.5M)
 - Two units annually beginning in FY27 (\$3M/year)



FY26 Substation Projects

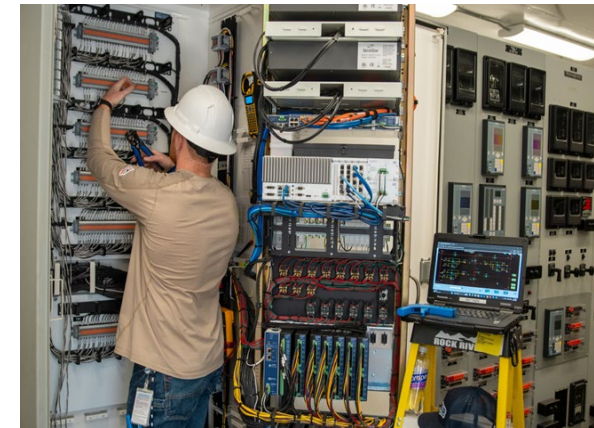
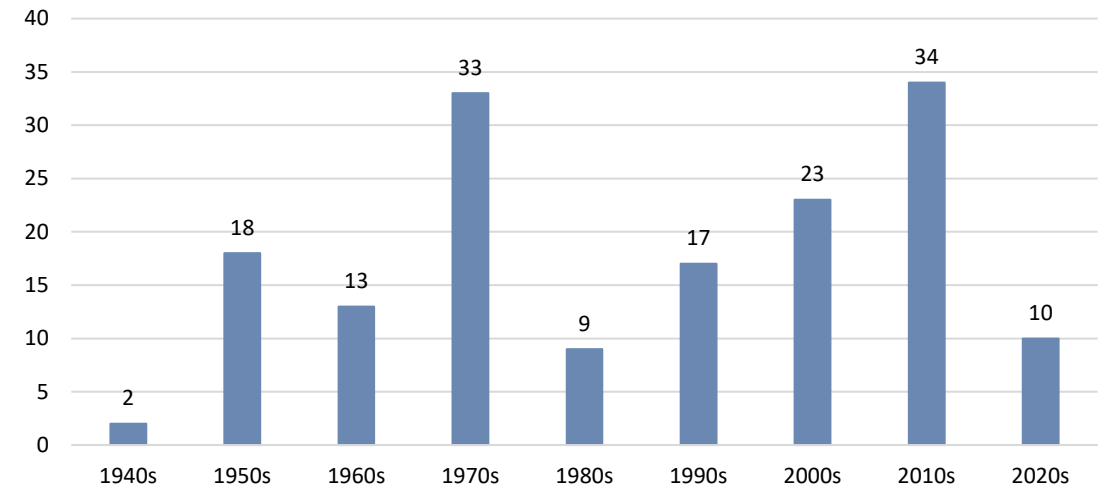
- West Hills Substation (TVA infeed)
 - Century II refurbish/add capacity
 - Meet commercial demand in Middlebrook Pike area
- Halls Substation build
 - Original Halls station (all wood structure)
 - Decommissioned in 2001
 - Site located on Emory Road
 - Adds 25MVA capacity due to system growth
- Replace failed transformer at Coster Shop Substation
 - One of the oldest substation transformers (70 years)
 - Average substation transformer age ~35 years



Substation Transformer Replacement Program

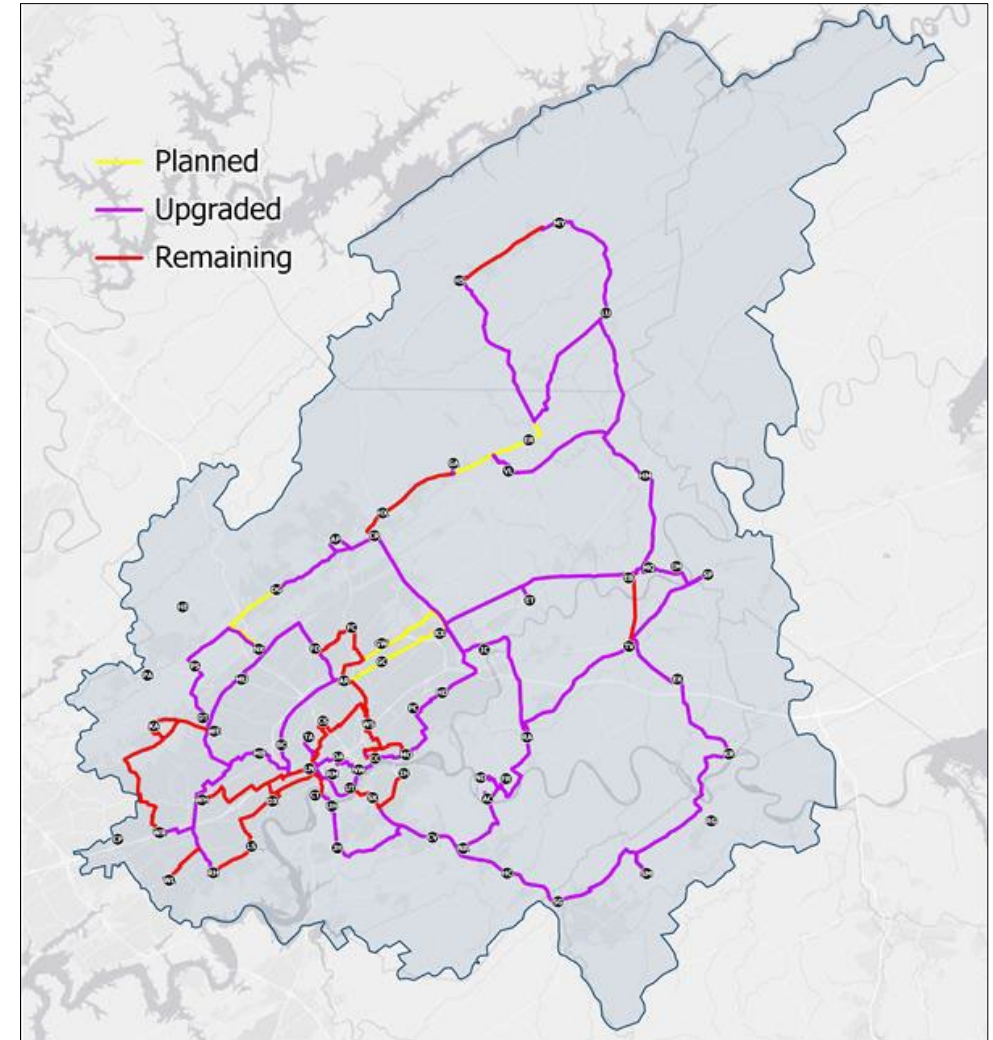
- New replacement program
 - One unit in FY26(\$1.5M)
 - Two units annually beginning in FY27 (\$3M/year)
- Historically reactive to failures
 - Utilized spare unit per year
- Design a proactive program
 - Prioritize using condition monitoring
- Improve reliability, improve resiliency, and increase capacity

Active Substation Transformers Installation by Decade



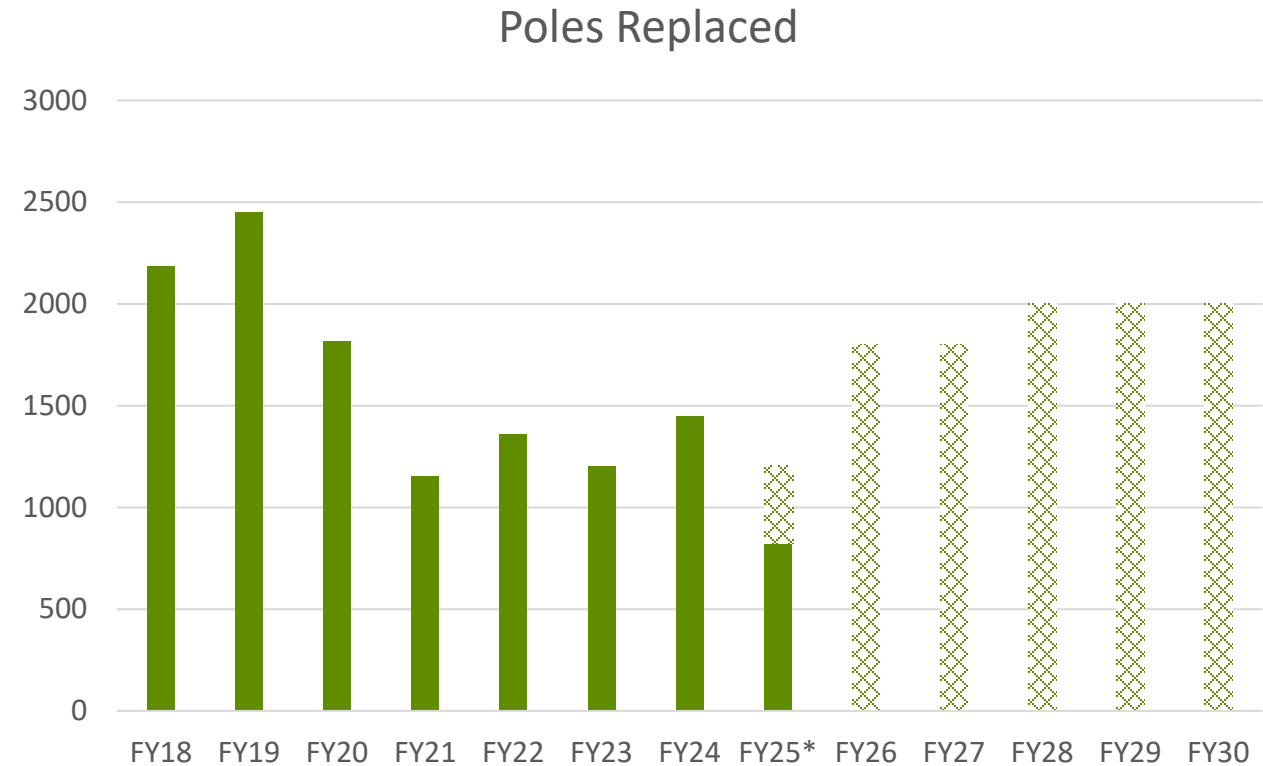
Century II - Transmission System Rebuild

- 69kV Transmission Rebuild Program
- FY26 projects – 8 miles (\$11.2M)
 - Powell Emory Rd – 2.5 miles
 - Whittle Springs – 4.25 miles
 - Corryton – 1.0 miles
 - East Town – 0.5 miles
- Additional crew in FY27
- FY26-FY30 – 42 miles (\$59.7M)
- Remaining miles – 82 miles
- Program completion in FY35



Distribution System - Overhead

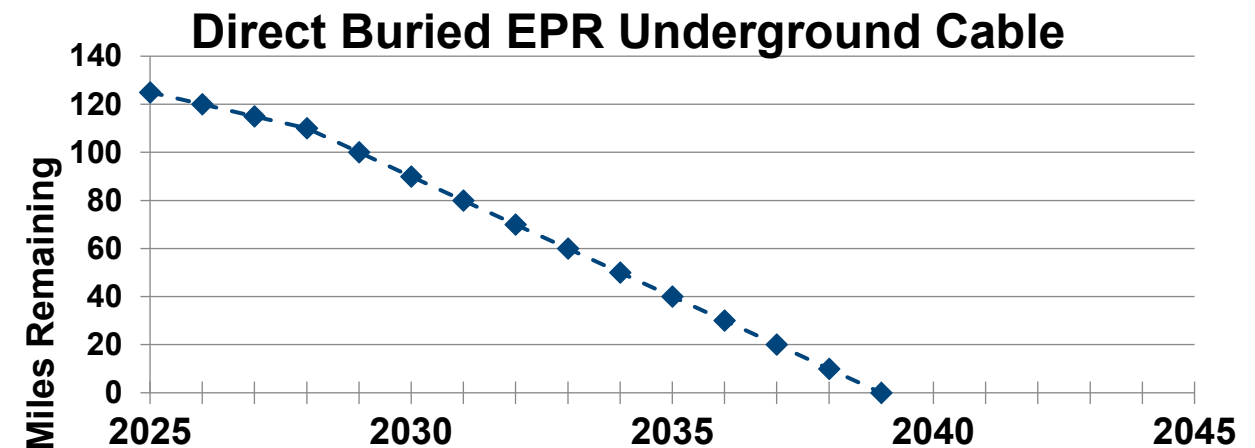
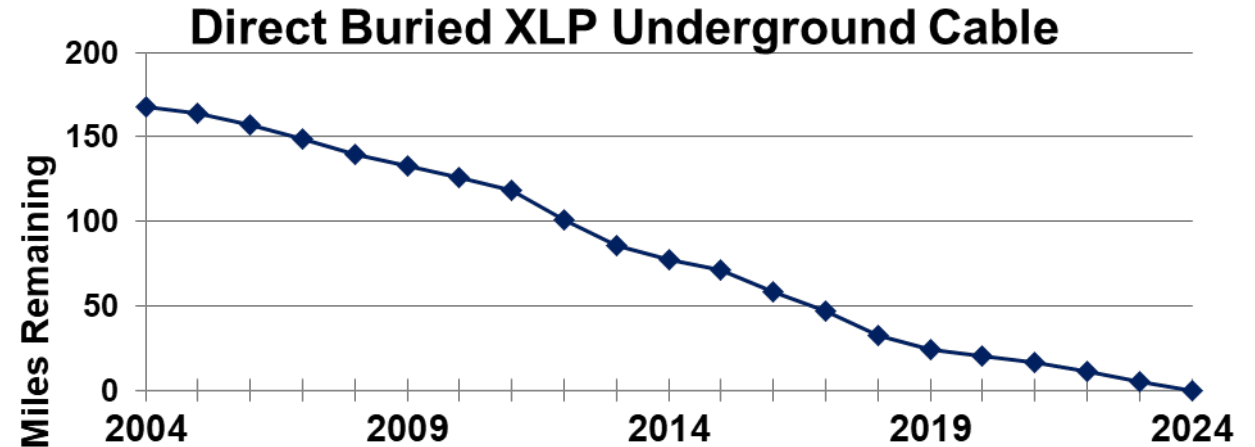
- Pole replacement (\$9.1M/year)
 - Increase pace to 2,000 poles/year
 - Three additional crews in FY26
 - One additional crew in FY27
- 13kV line projects (\$6.8M/year)
 - Capacity upgrades – Nubbin Ridge, Jacksboro Pike, McCloud Road
 - COK – Sevier Avenue, Pleasant Ridge, Washington Pike
 - Knox Co. – Phase IV Schaad Road



*As of April, projected to replace 1,200 poles in FY25

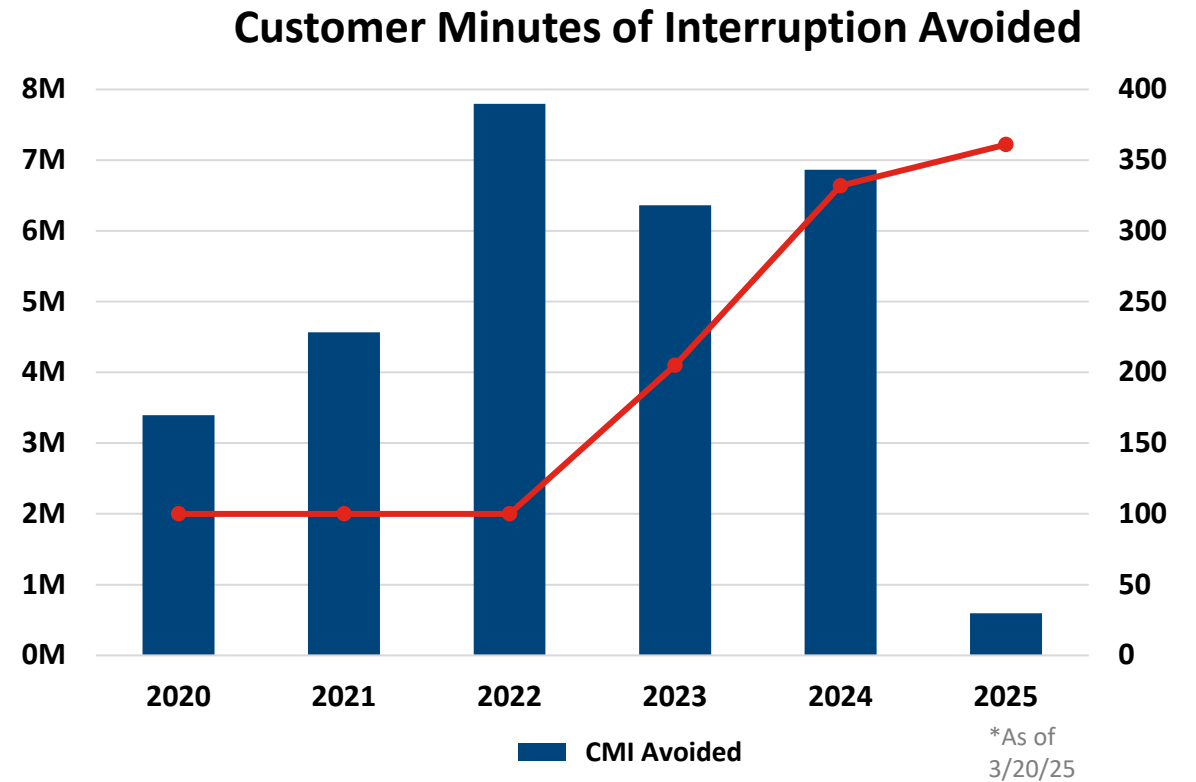
Distribution System - Underground

- Completed XLP Program in FY24
 - Replaced ~175 miles over 20 years
- Shift focus to direct buried EPR cable
 - 125 miles remaining
- Invest \$4.8M/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
 - Rudder Lane Area – Rocky Hill
 - Summers Road – Hickory Star

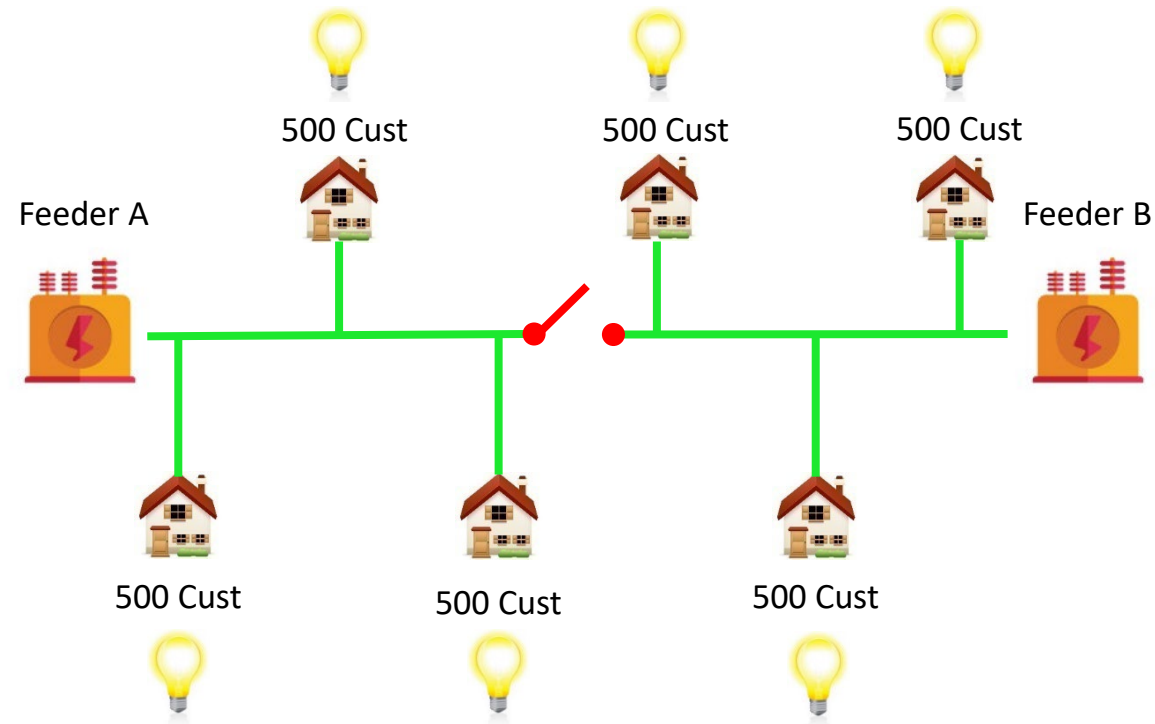


Grid Modernization – Leveraging Fiber

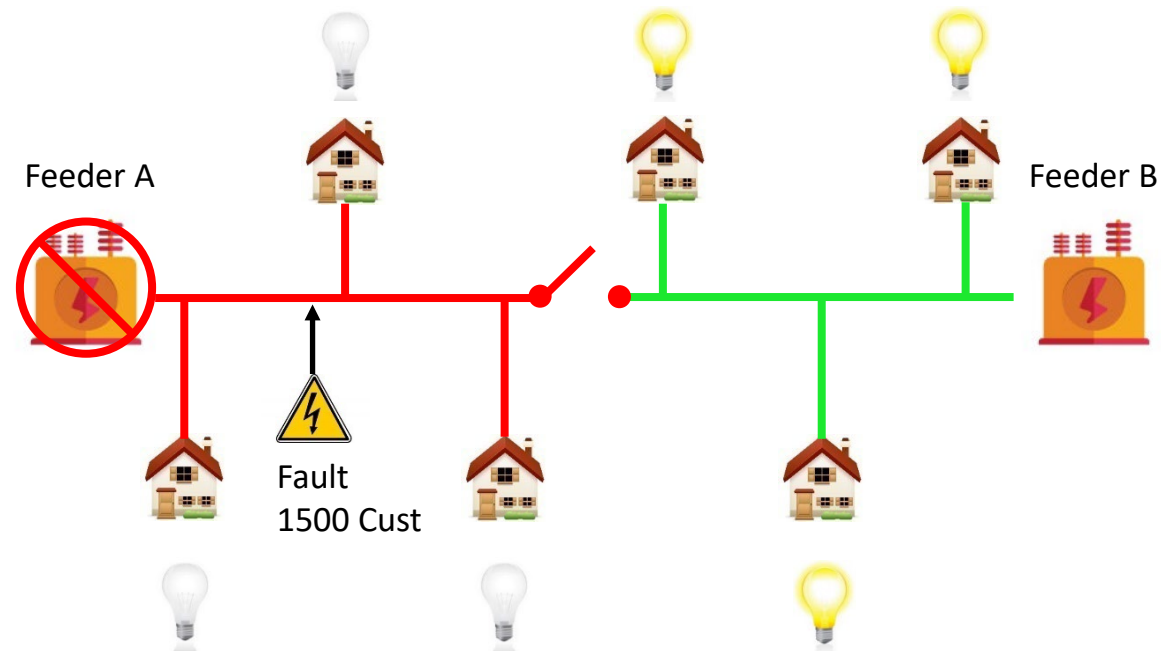
- Smart switches
- Units installed
 - FY25 – 120 of 144 (FYTD)
 - Total – 370 of 1,200
 - Additional 720 units FY26-FY30 (\$47.5M)
- 70,000 customers protected
- Impact: avoided customer interruptions
 - FY25 – 3.4 million minutes
 - Total – 29.5 million minutes



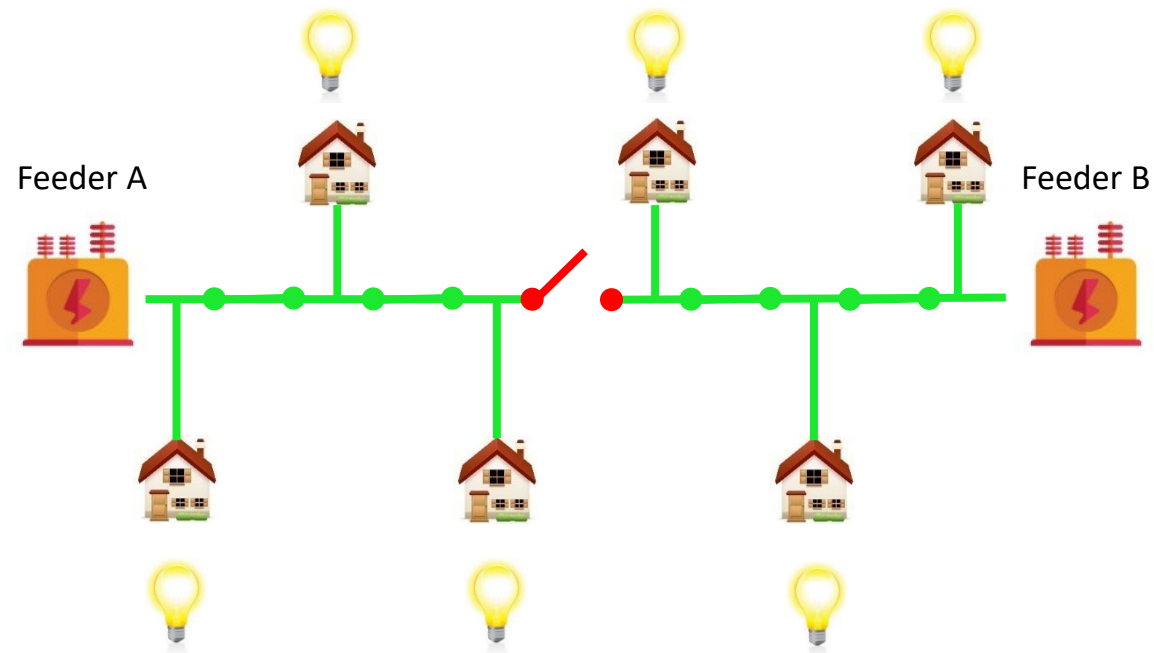
Example: Before Smart Switches – Normal Condition



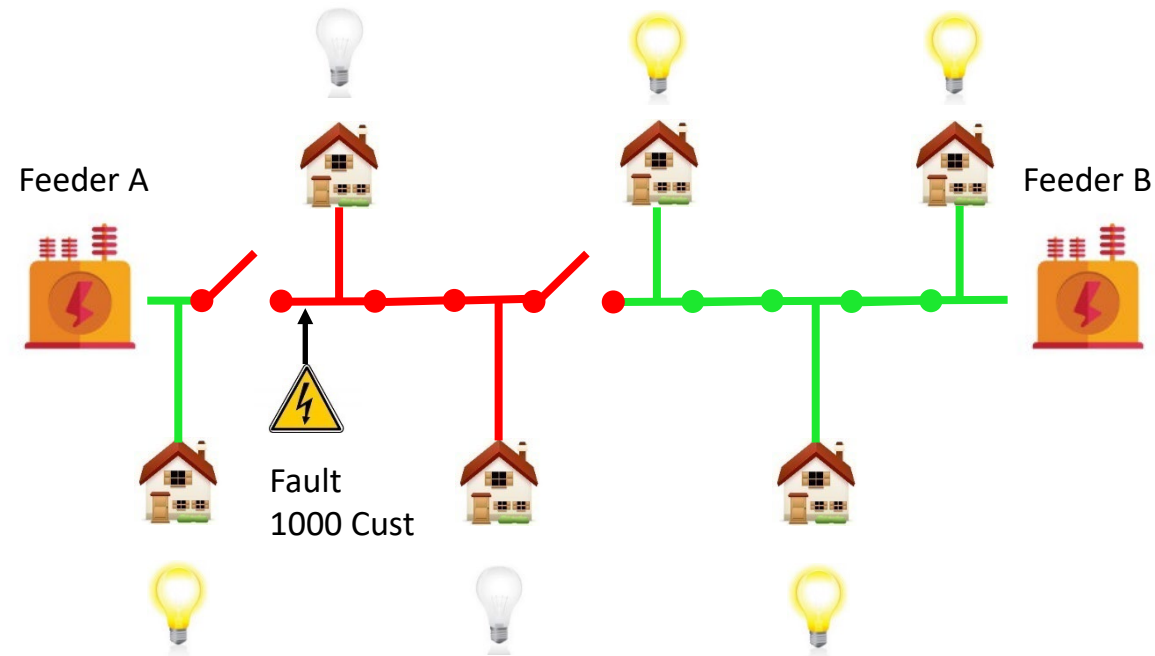
Example: Before Smart Switches – Fault Occurs



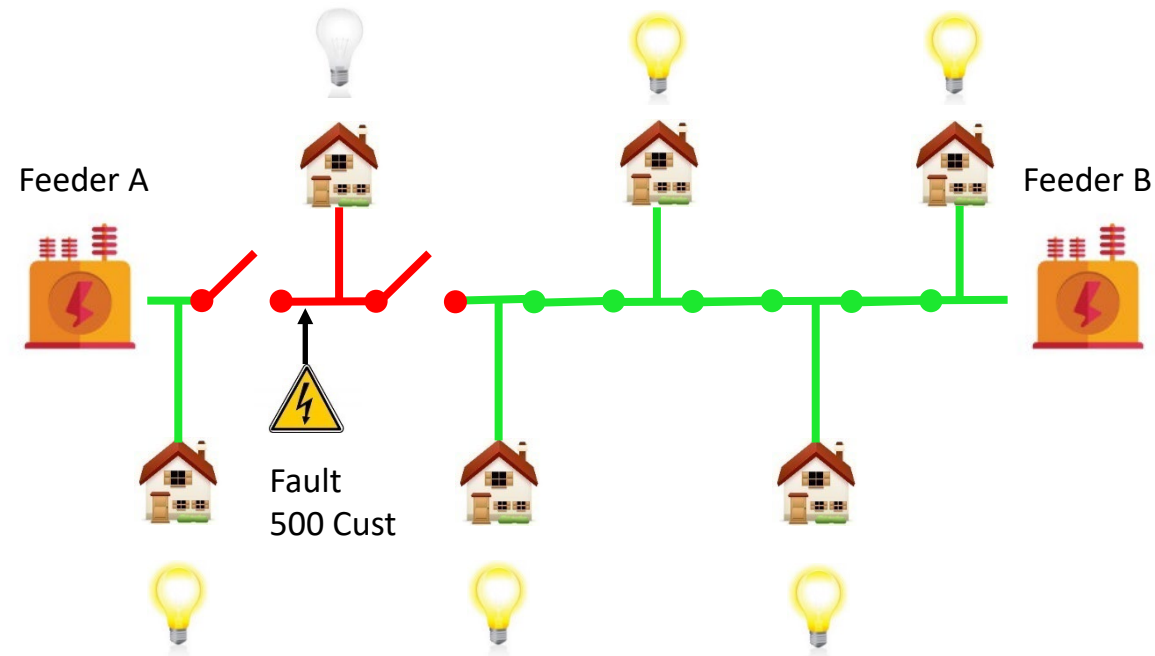
Example: After Smart Switches – Normal Condition



Example: After Smart Switches – Fault Occurs

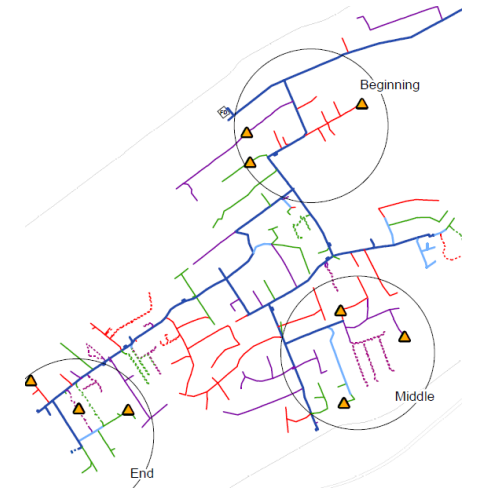
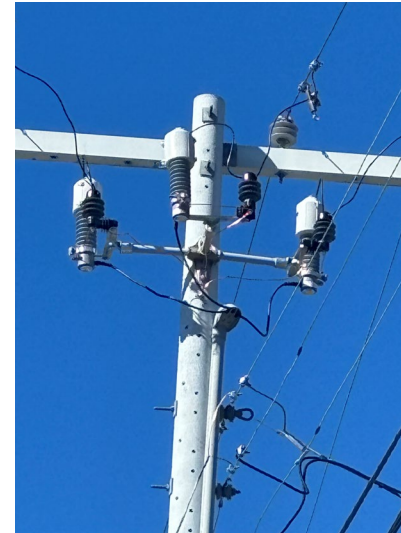


Example: After Smart Switches – Reconfiguration Occurs



Grid Modernization

- Voltage Optimization - \$3.7M
 - Targeting 15-20 MW by FY34
 - Improves system efficiency
 - Reduces peak and demand cost
- Battery Energy Storage - \$8.5M
 - Targeting 20 MW by FY34
 - Enhances system reliability
 - Reduces peak and demand cost
- Microgrid - \$3.8M
 - HOC Campus Pilot in FY29



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 smart switches
- On track to go live in 2025



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
- Smart switches
 - Avoided >29M customer minutes of interruption
- Vegetation Management
 - Removing overhang (new initiative)
 - Maintaining 1,000 miles/year
 - 1,800 hazardous tree removal/year

Before Overhang Removal



After





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Natural Gas Division



Natural Gas System

Customers: 111,441

Service Territory:
297 square miles

Mains: 2,602 miles

Distribution

Steel: 126 miles

Plastic: 2,404 miles

Higher pressure

Steel: 66 miles

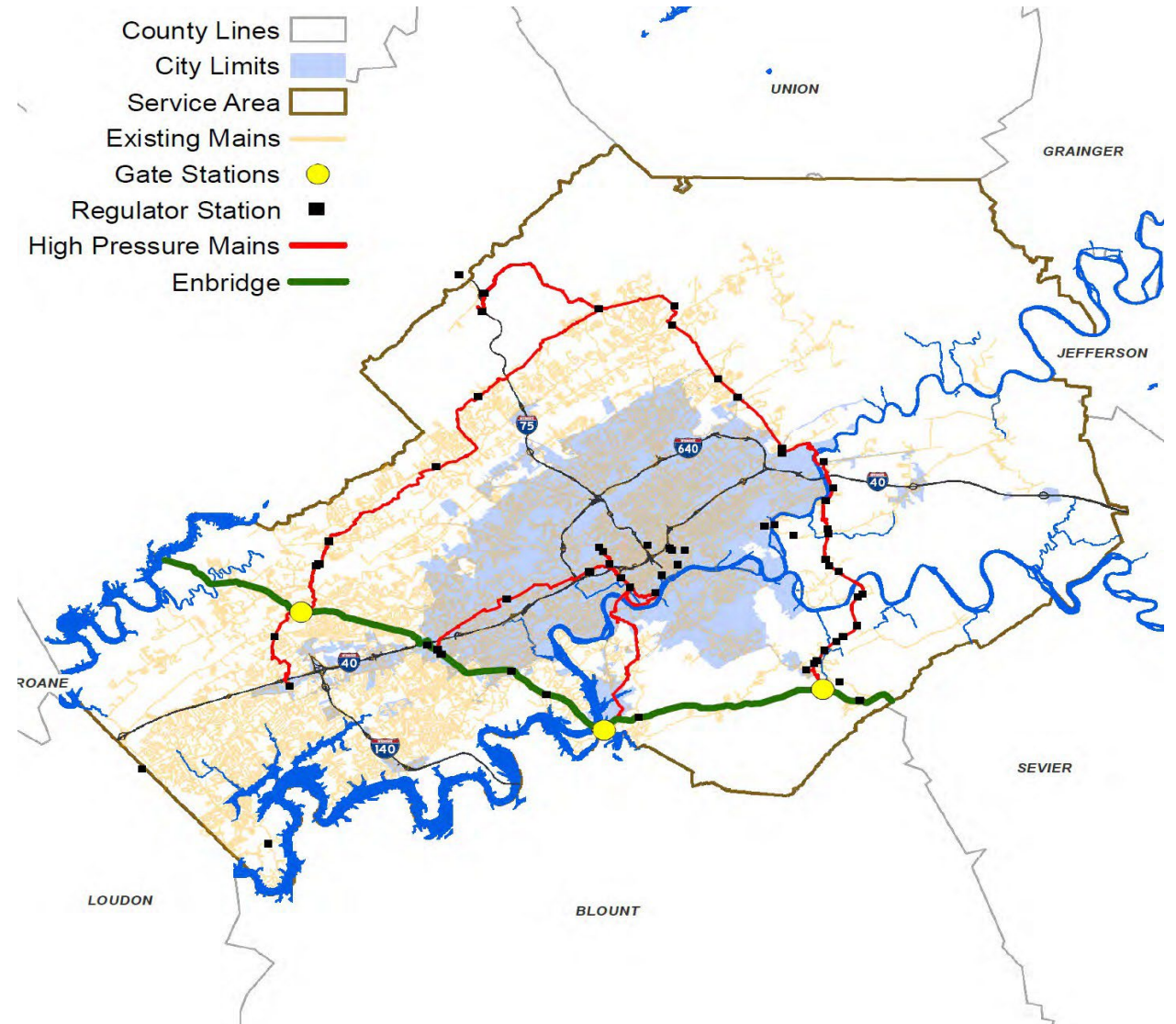
Plastic: 6 miles

Gate Stations: 3

Regulator Stations: 43

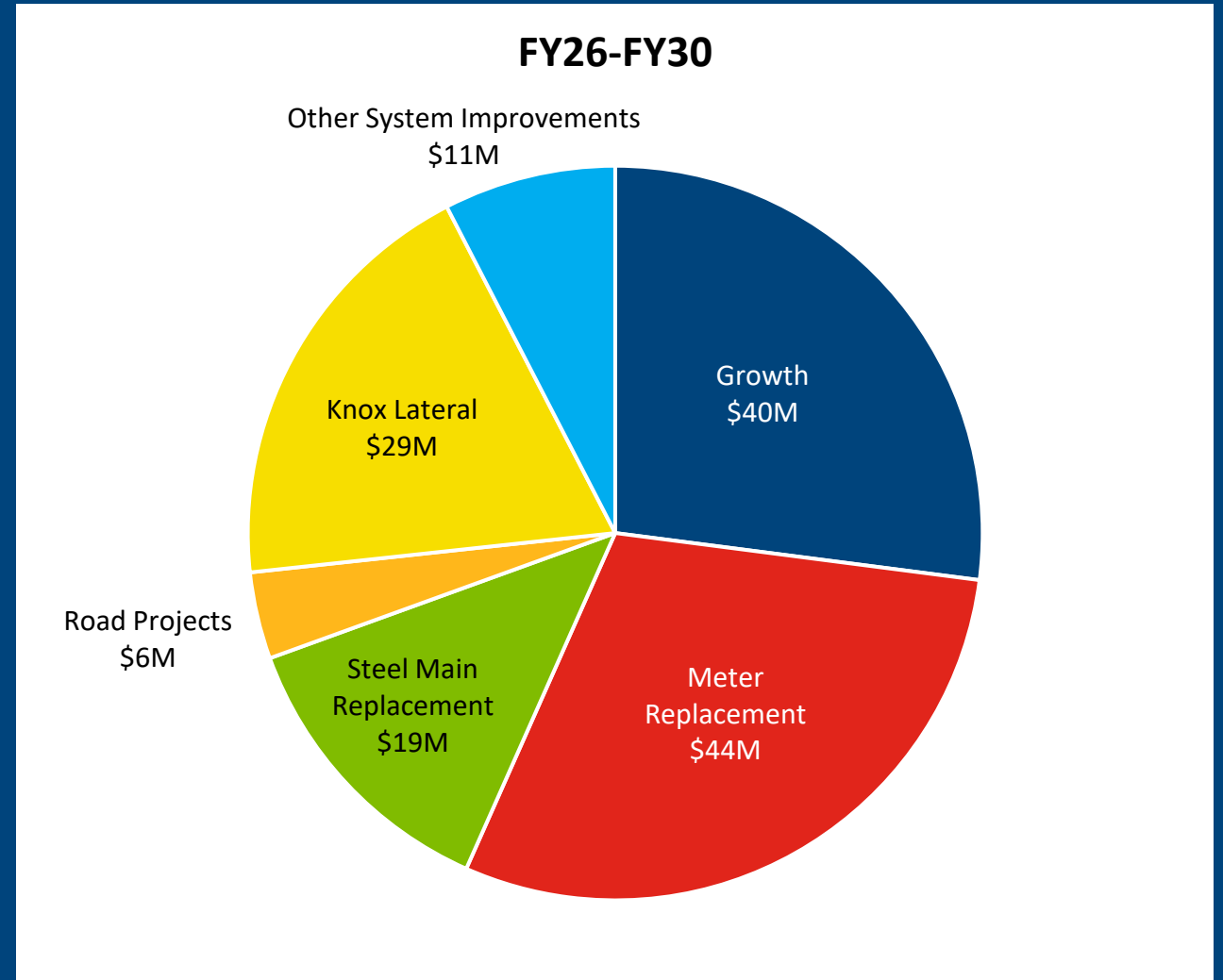
System Capacity: 157,381 dth

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



Gas Infrastructure Investments

- FY26: \$19M
- FY27-FY30: \$130M
- Project updates
 - Resiliency
 - Low pressure steel
 - Capital improvements
 - Meters



FY26-27 Resiliency (Loops & Backfeeds)

- Loop Projects
 - Eliminate one-way feeds (>200 customers)
 - 27 loop projects completed
 - Bruhin Road (400 customers, FY26)
 - Harmon Road (400 customers, FY26)
 - Westwood (250 customers, FY27)
- Backfeeds to underfed areas
 - Cumberland Avenue (Phase 2, FY26)
 - Eastbridge Loop (Final phase, FY26)
 - Roefield Loop (FY26)



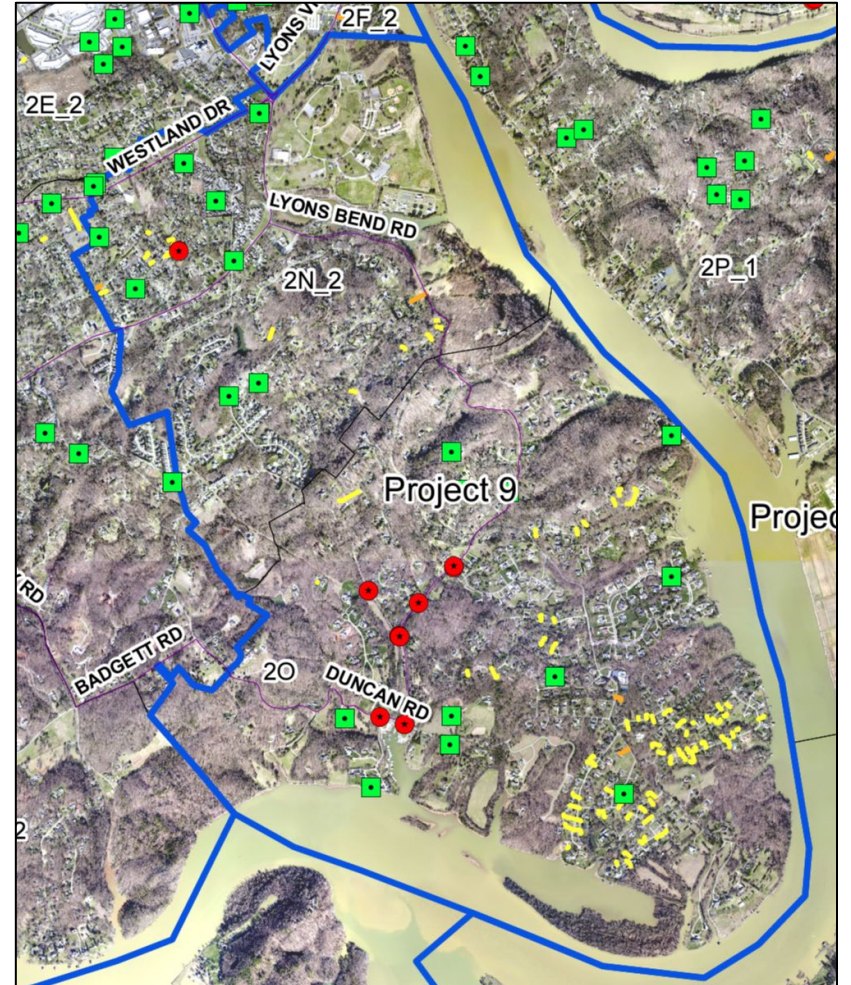
Low Pressure Steel Replacement

- Distribution Integrity Management Program (DIMP) priority
 - Significant reduction in leaks
 - Leak surveyed annually
 - 75 miles replaced
 - 80 miles remain
- Three categories
 - Isolated shortline steel main (<1,000 linear feet)
 - Isolated longline steel main (1,000 LF – 2,500 LF)
 - Subdivisions/Neighborhoods (>2,500 LF)



Replacement Strategy Accelerates DIMP Priorities

- New maintenance crew (FY26)
 - Short line steel (<1,000 LF)
 - Unlocatable gas assets
 - Services without meters (condemn)
 - Replace steel risers, steel services, steel valves (corrosion threats)
- Area focused approach supports DIMP
 - Aligns with Century II
 - 51 project areas identified
 - Two-three areas per year



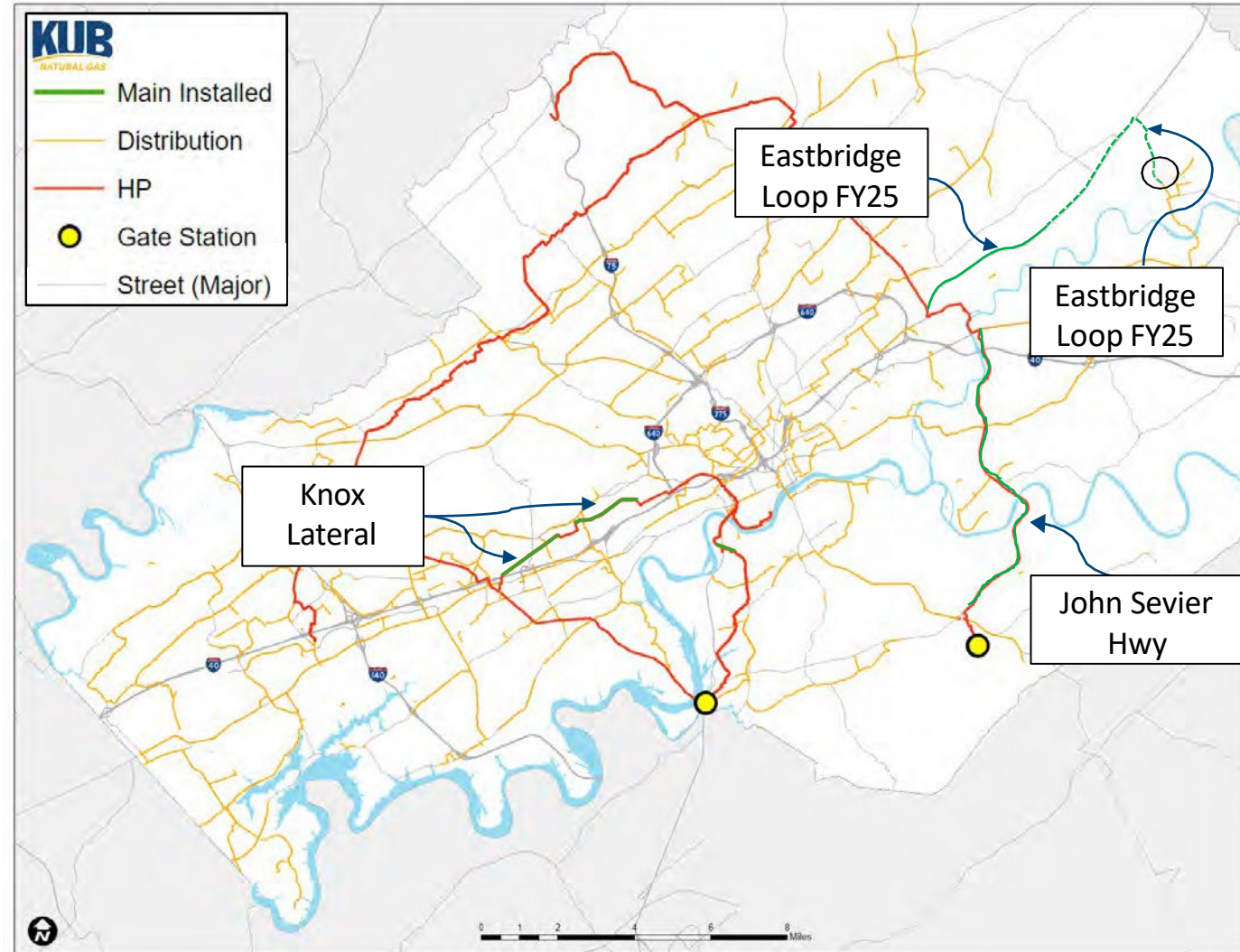
FY26-27 Low Pressure Steel Projects

- FY26 steel replacement projects
 - Middlebrook Pike (FY26)
 - Replacing older steel
 - Harmon Road (FY26)
 - Replacing 2 miles of steel
 - Looping 300 customers
- FY27 steel replacement projects
 - Craig Cove (FY27)
 - Riverbriar (FY27)
 - Buckhead (FY27)
- PHMSA Grant (FY27-29)



High Pressure System

- Eastbridge Loop (FY24-25)
 - \$2M in FY24, \$5M in FY25
 - 9.5 miles of 8" & 12" HDPE
- Knox Lateral (FY28-31)
 - \$29M through FY30
 - Upgrade 4.7 miles of 1950s 12" steel pipe to 16" steel

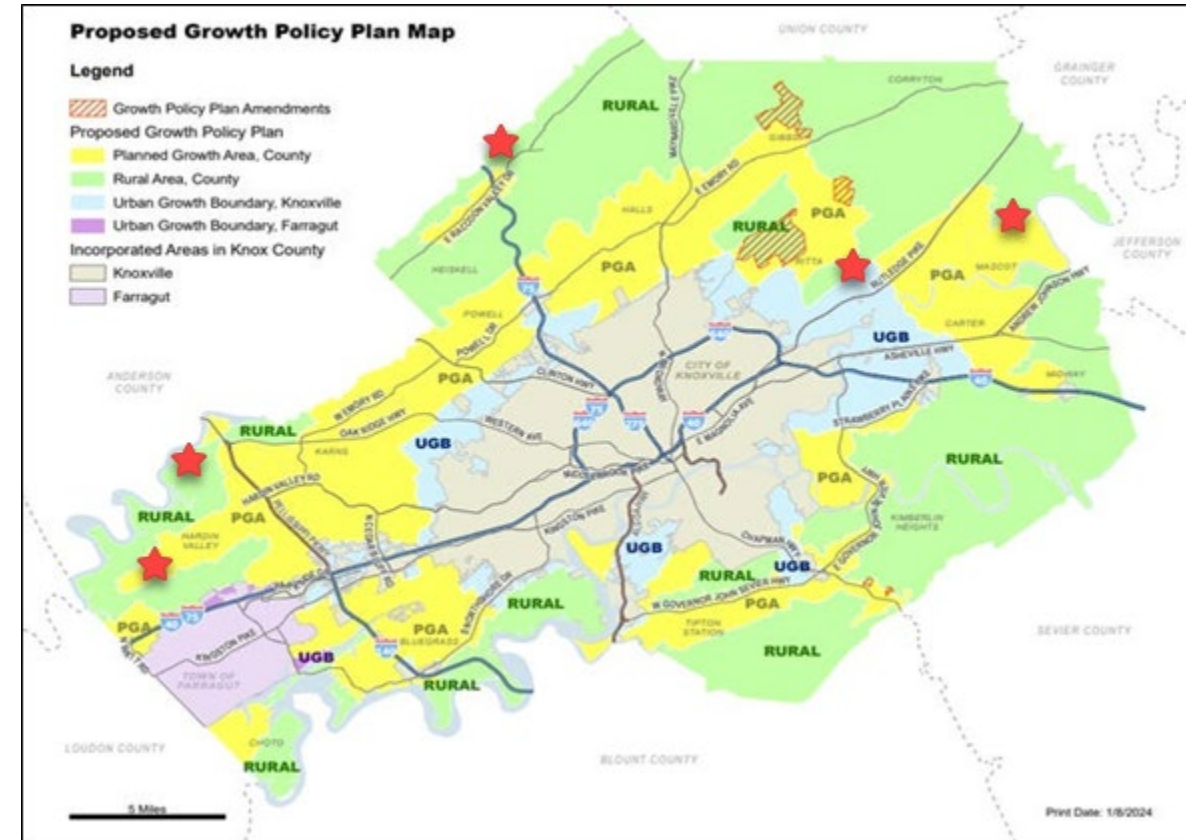


Eastbridge Loop Project



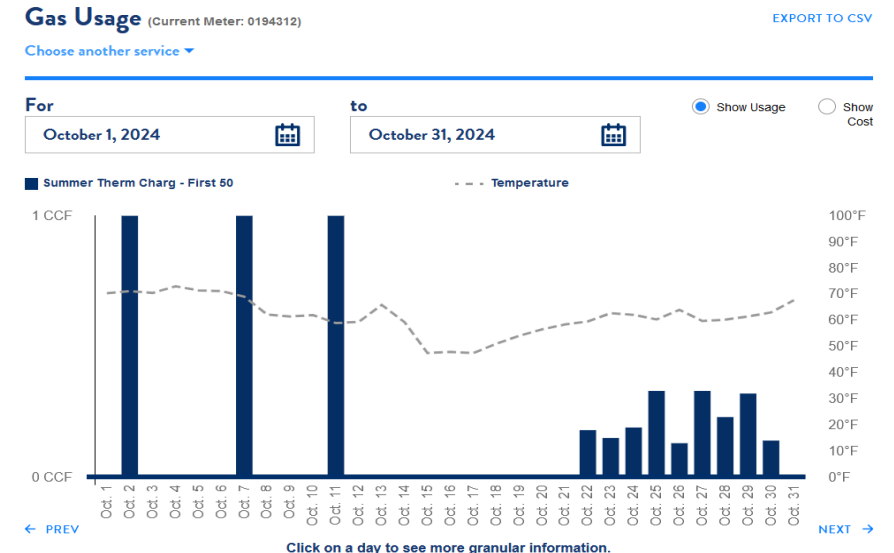
Growth

- East Knox County
 - Development activity along Millertown
 - Ensure gas is readily available
 - Utilize Eastbridge Loop assets and infrastructure investments
 - Loop system on east side of county
- Continue to build out Solway
- Opportunities in Raccoon Valley



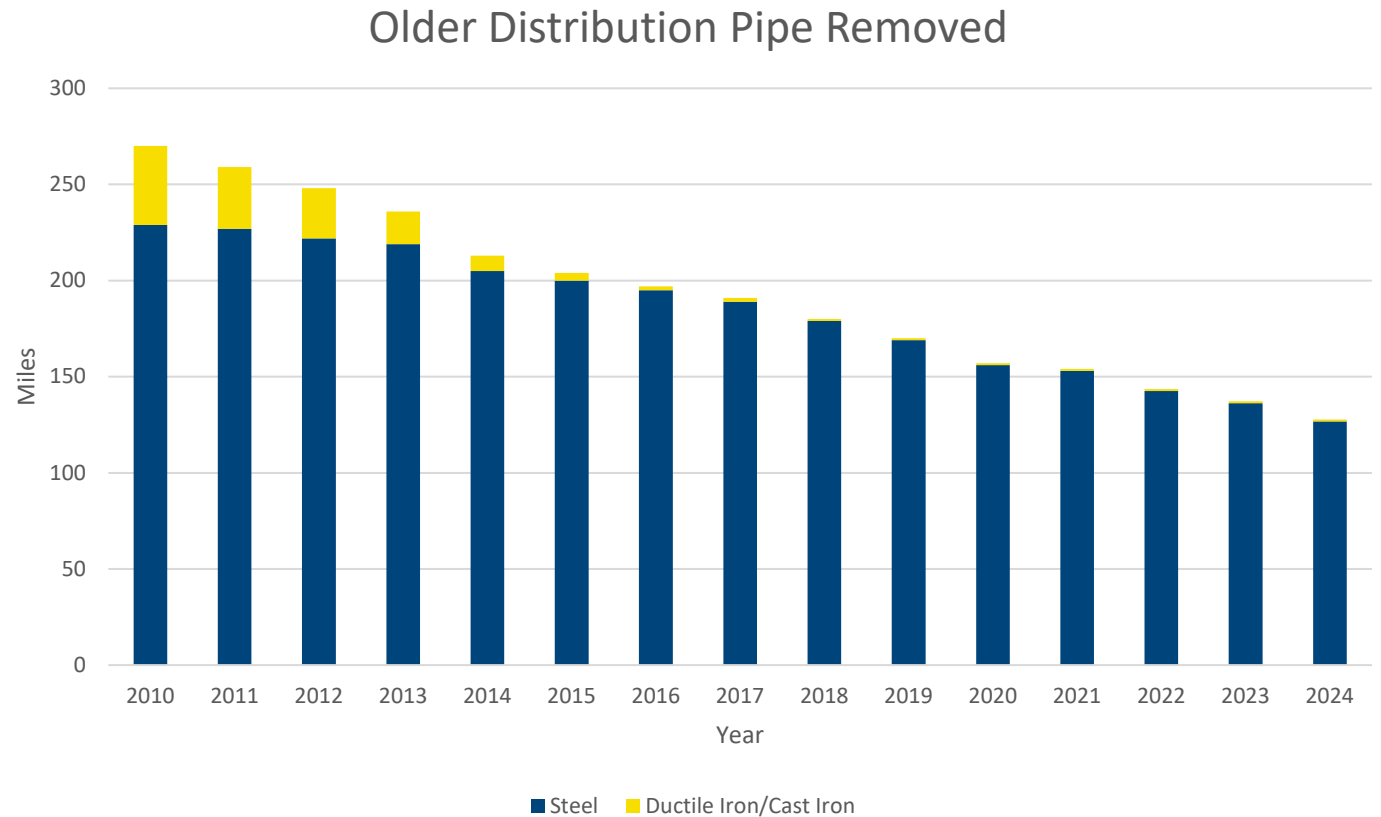
Technology - Sonix IQ Meter Initiative

- Replace all residential meters FY27-36
 - ~100,000 meters
 - \$28M FY27-30 (\$73M total spend)
- Benefits
 - Safety
 - Automatic/remote shut-off capabilities
 - Temperature, pressure, flow, and tamper monitoring
 - Data
 - Reading resolution of <1 CF; No degradation over time
 - Consumption/demand data available for diagnostics
 - Appearance
 - Smaller footprint
 - Less intrusive design



Century II Outcomes

- Pipe replacement
 - Reduction of metallic distribution mains by 53% (142 miles since 2010)
 - Replacement strategy accelerates DIMP priorities
- Eliminating one-way feeds impacting >200 customers
 - Over 12 miles installed
 - Over 12,000 customers taken off one-way feeds
 - 27 projects completed





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Water Division



Water System

Customers: 83,925

Service Territory:
188 square miles

Treatment Plant: 1

Pump Stations: 27

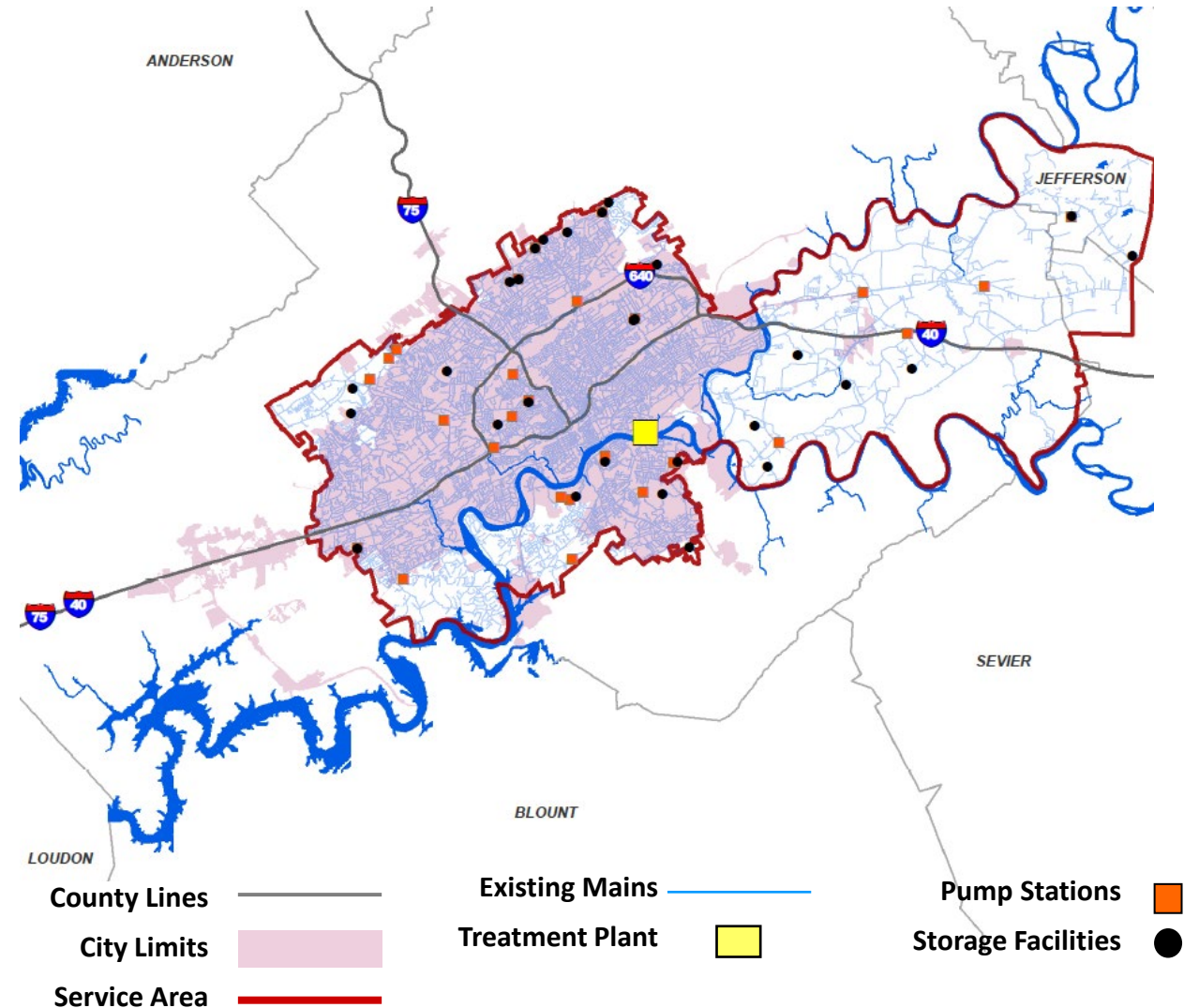
Storage Facilities: 28

Distribution Mains: 1,417 miles

Plant Capacity:
62.9 million gallons/day (MGD)

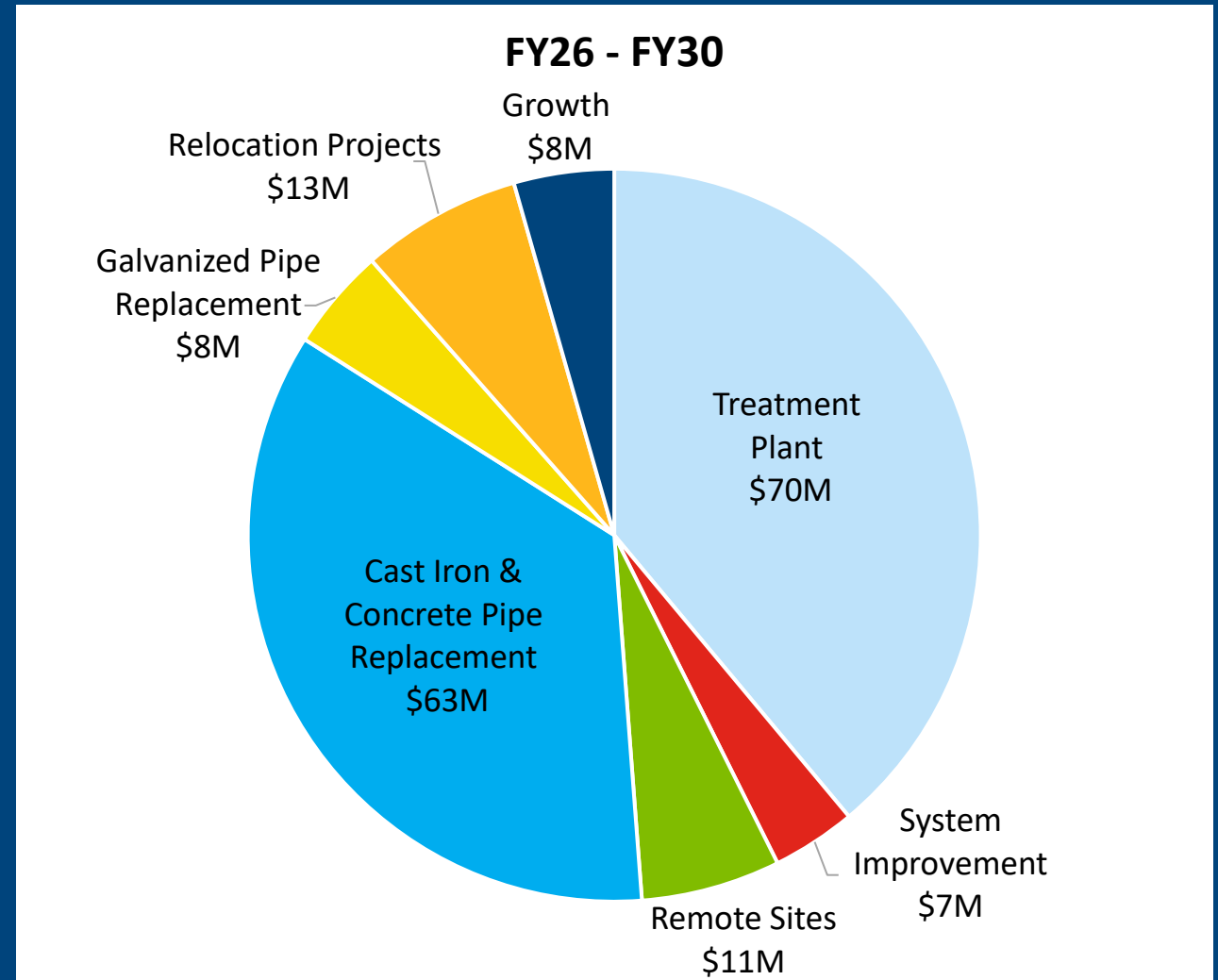
Reservoir Capacity: 36.9 million gallons (MG)

Treated Water: 12.7 billion gallons annually



Water Infrastructure Investments

- FY26 \$43M
- FY27-FY30 \$137M
- 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 FY32



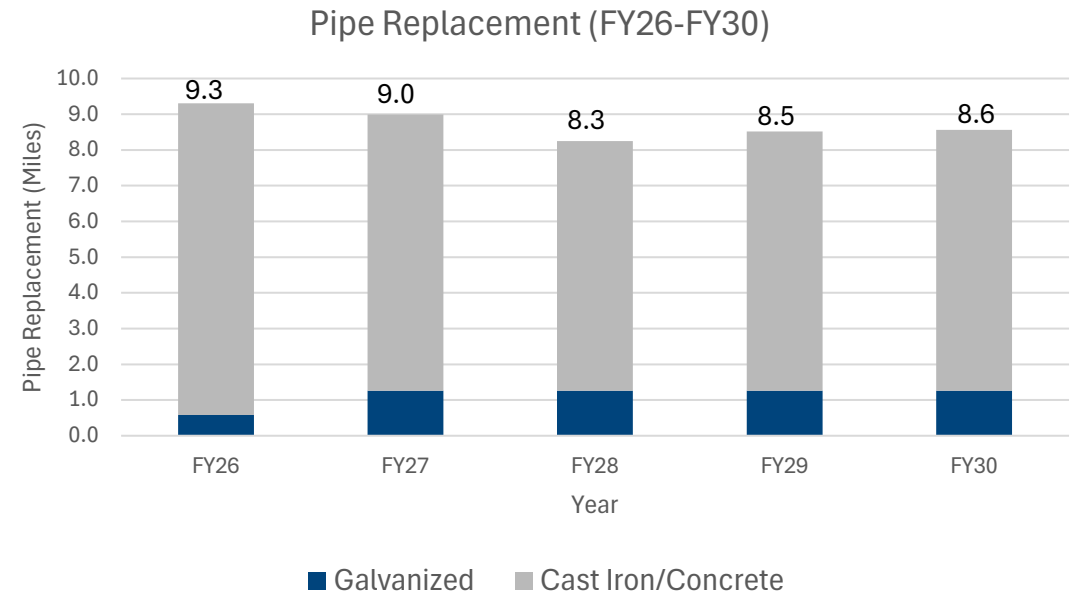
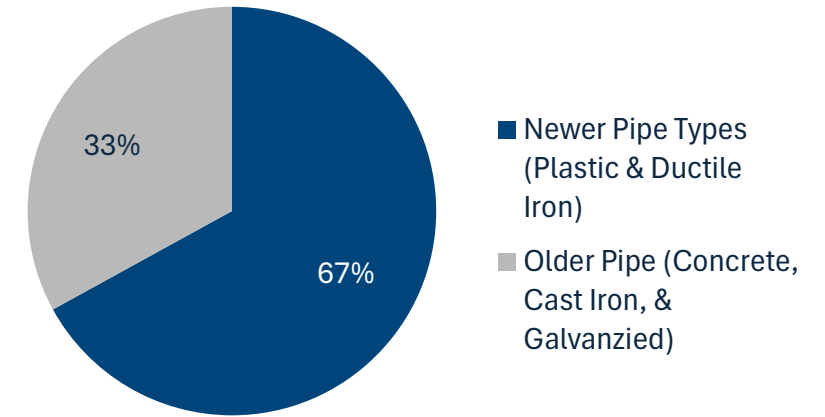
Treatment Plant

- Total Spend: \$70M (FY26-FY30)
- Filters project
 - Largest construction project in KUB history
 - Complete in FY26
- Water Supply Master Plan
 - Electrical upgrades phase 2 (FY26-FY27)
 - Clarifier no. 4 and raw water distribution (FY26-FY28)
 - New low service pump station (FY28-FY31)



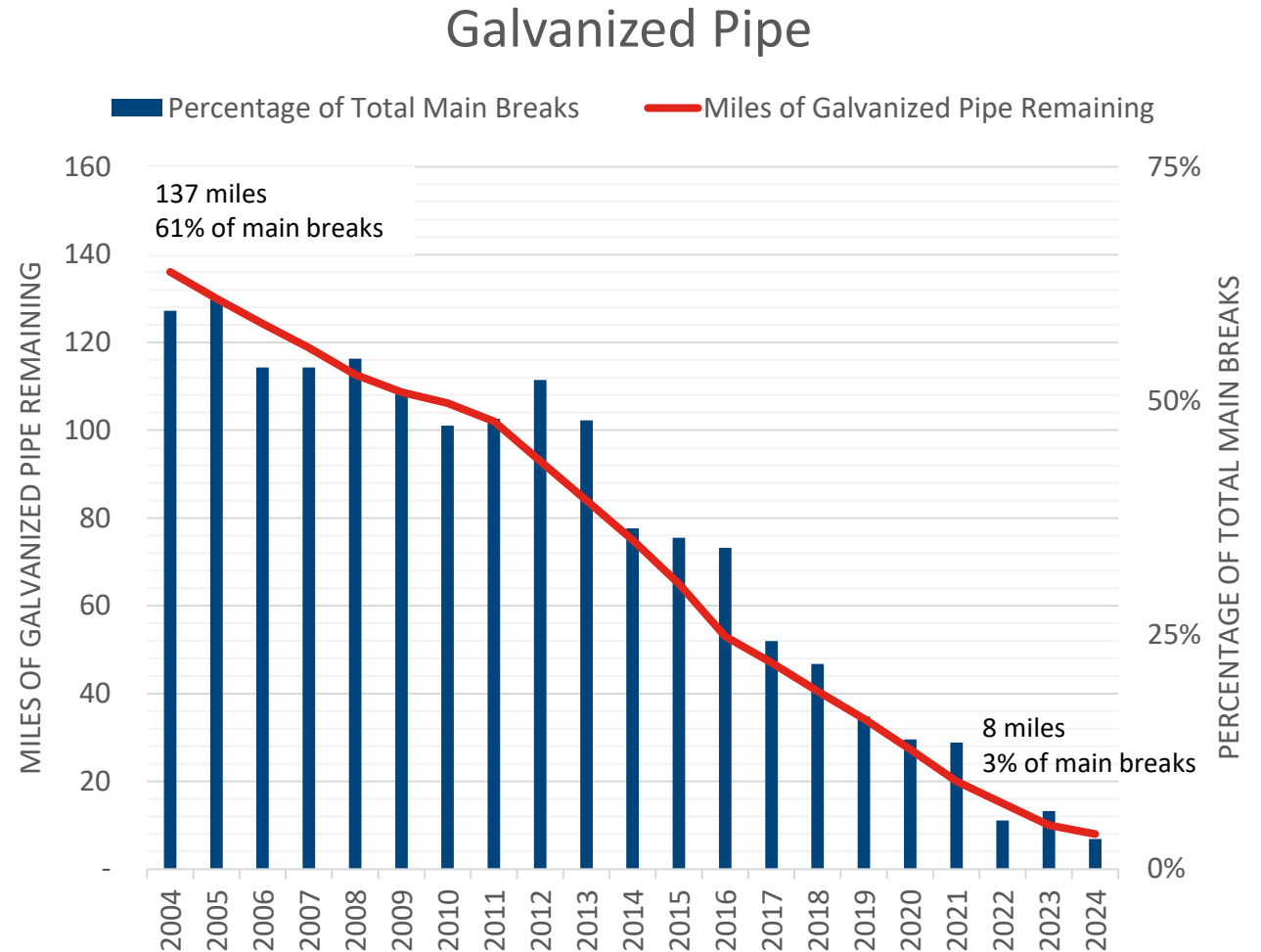
Distribution System

- Includes replacement of distribution and transmission mains
- Replace 43 miles across multiple projects
- Galvanized replacement: \$8.1M (FY26-FY30)
 - Seven miles remain
 - Totally removed by FY32
- Cast iron and concrete replacement: \$63M (FY26-FY30)
 - New focus, represents about 33% of system



Distribution System

- Projects completed by contractors and internal crews
- Strategic removal efforts have had a significant impact on water main breaks
 - 2004 – 137 miles
61% of all breaks
 - 2024 – 8 miles
3% of all breaks



Prices Continue to Escalate

- Early 2020s: \$155/linear foot (LF)
- Inflation Response Plan: \$200/LF
- Recent capital projects
 - Dora Street: \$425/LF
 - Sevierville Pike: \$300/LF
- Water and Wastewater Industry Price Trends
 - CPI – 12% increase
 - General construction – 20% increase
 - Industrial building construction – 35% increase



Distribution System

- Boyds Bridge replacement (FY26)
- Distribution System Master Plan projects
 - Forks of the River (FY26-FY27)
 - MBW river crossing (FY30)
- System Improvements \$6.6M (FY26-FY30)
 - Hydrants, valves, paving
 - District metering
 - Pressure management



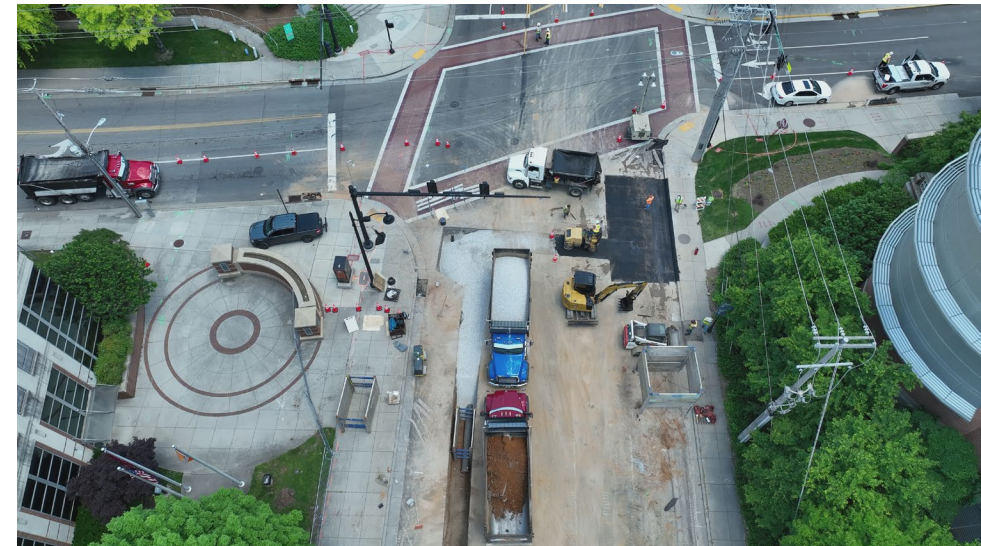
Remote Sites

- Total spend on remote sites is \$11M (FY26-FY30)
- Projects:
 - Third Creek Booster Pump Station (FY27-FY28)
 - Buffat Mill Reservoir (FY30-FY31)
 - Additional 4 MG of onsite storage
 - Bruhin Road Booster Pump Station (FY29)



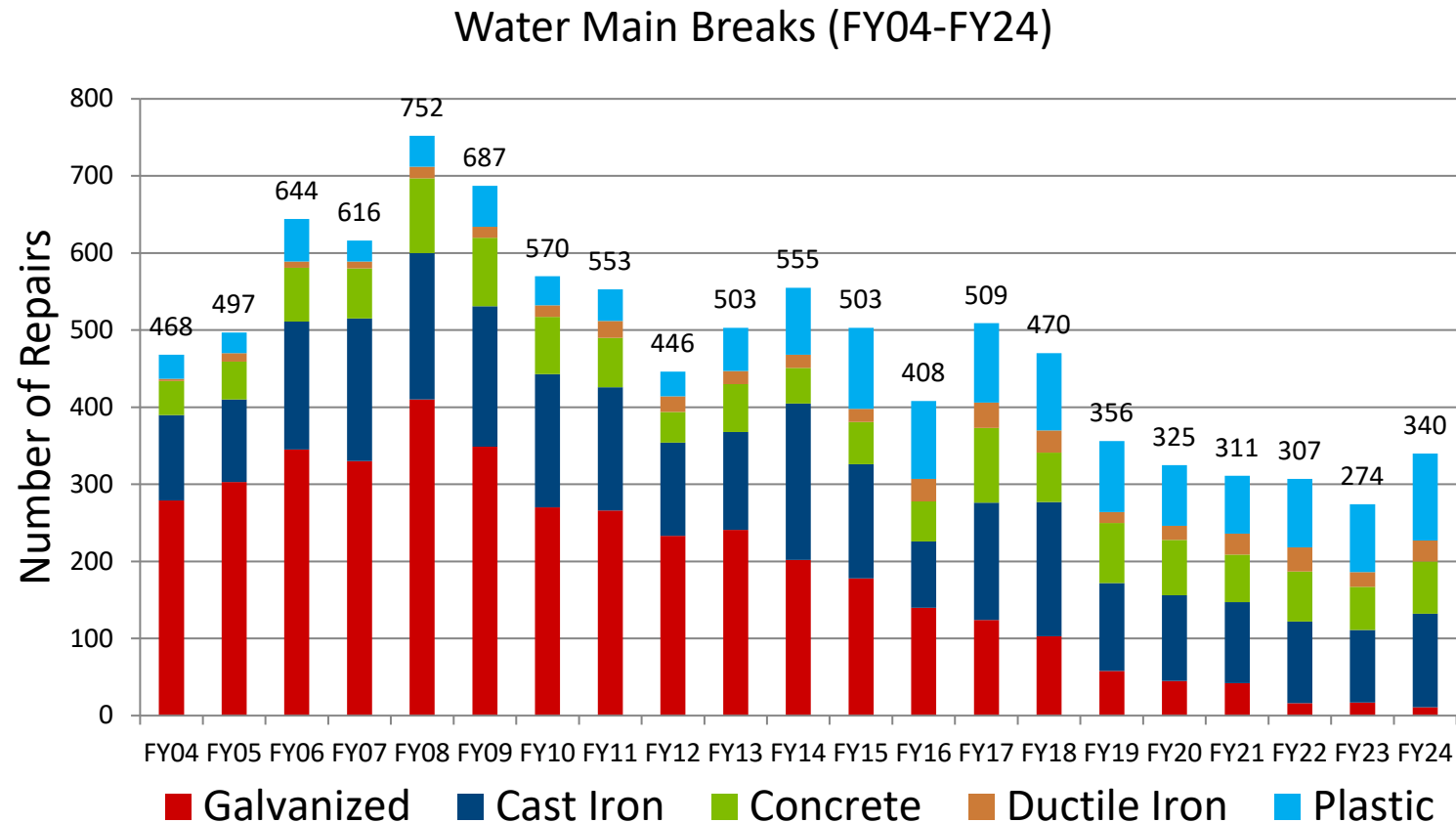
Technology Improves Reliability & Efficiency

- Increased mapping accuracy using drone technology
 - Pilot project on Cumberland Avenue
 - Create digital as-builts
 - Photos of critical tie-ins and project videos



Century II Outcomes

- Main Break Reduction
 - Reduced by 55% since FY08
 - January 2024 cold weather main breaks
- 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: 75,216

Service Territory: 243 square miles

Treatment Plants: 4

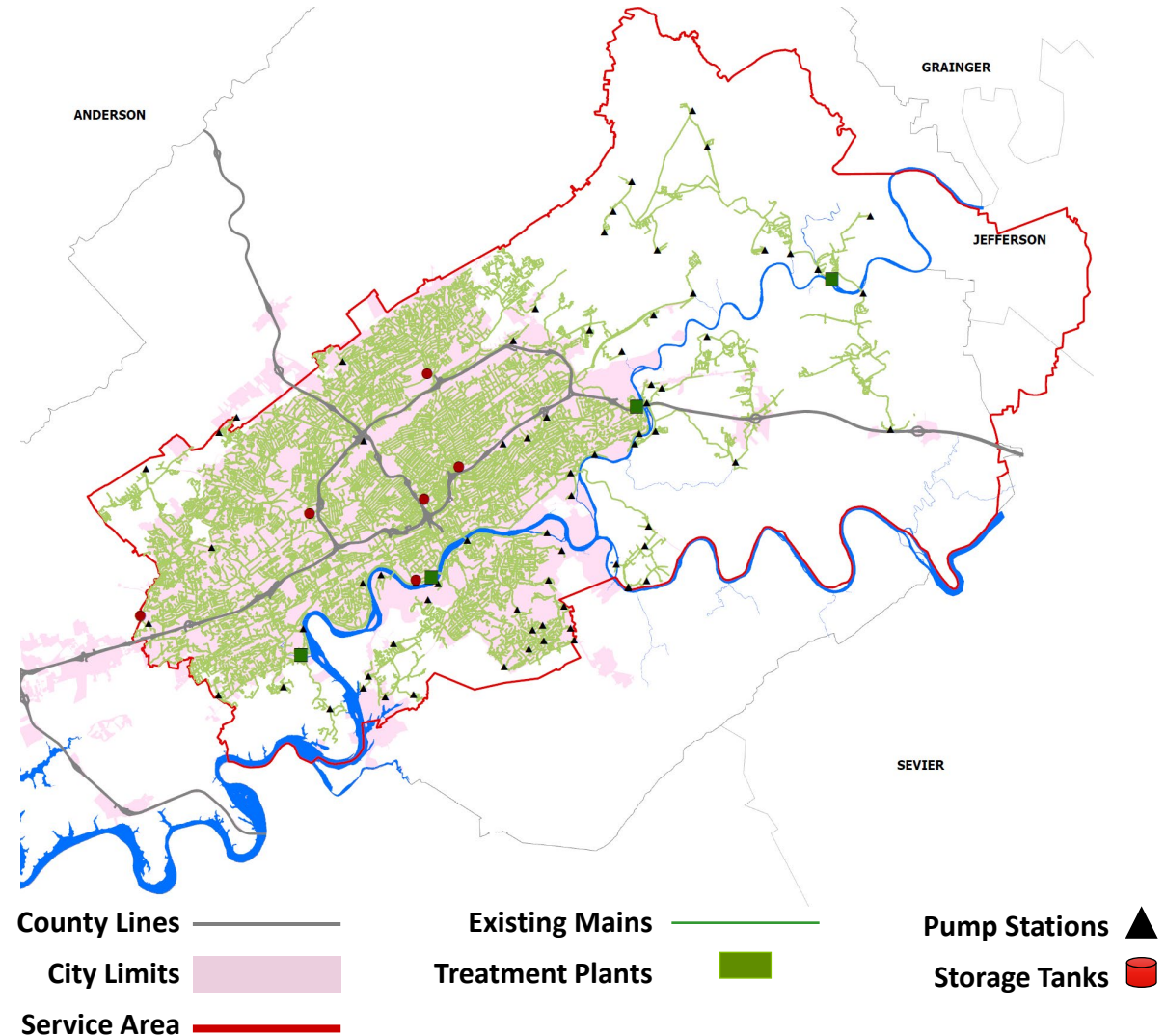
Lift Stations: 64

Collection Mains: 1,340 miles

Storage Capacity: 34 MG in 6 tanks

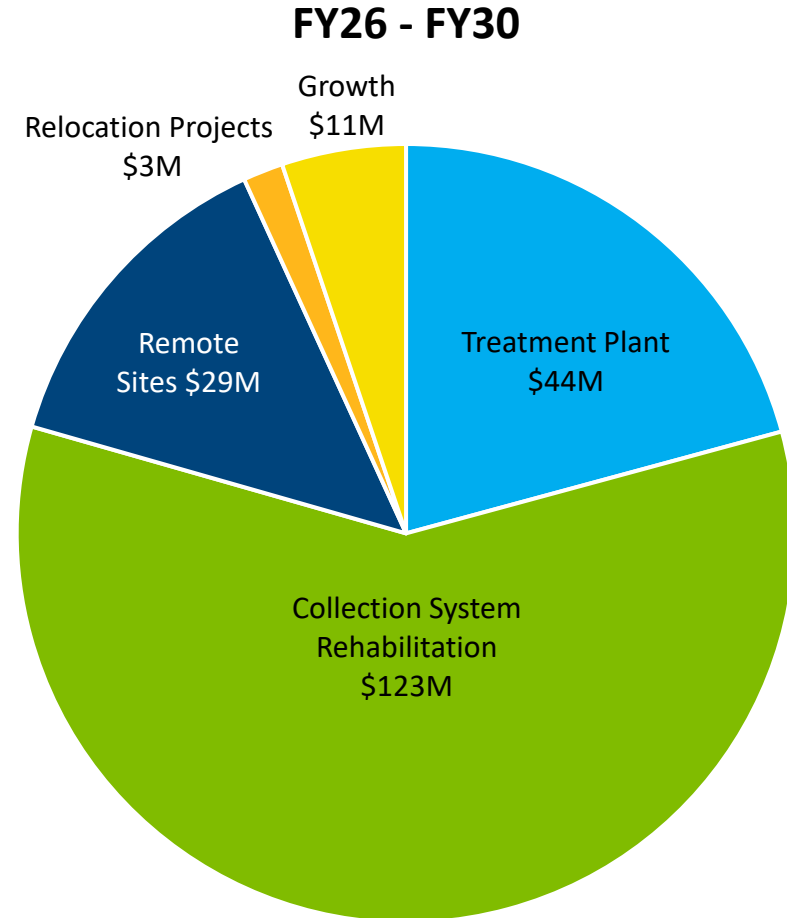
Plant Maximum Capacity: 173 MGD

Average Flow: 37.75 MGD



Wastewater Infrastructure Investments

- FY26: \$37M
- FY27-FY30: \$173M
- Collection System Rehabilitation largest program
 - Includes basin projects, shortline program, and system upgrades
- Significant upgrades at treatment plants and remote sites



Treatment Plants

- Total spend is \$43.6M across all four plants
- Projects
 - Kuwahee Disinfection Conversion (FY26-FY27)
 - Kuwahee Clarifier Equipment Replacement (Finishing FY26)
 - Loves Creek Preliminary Treatment Upgrades (FY27-FY30)
 - Kuwahee Digester Cover Upgrades (FY27-FY29)



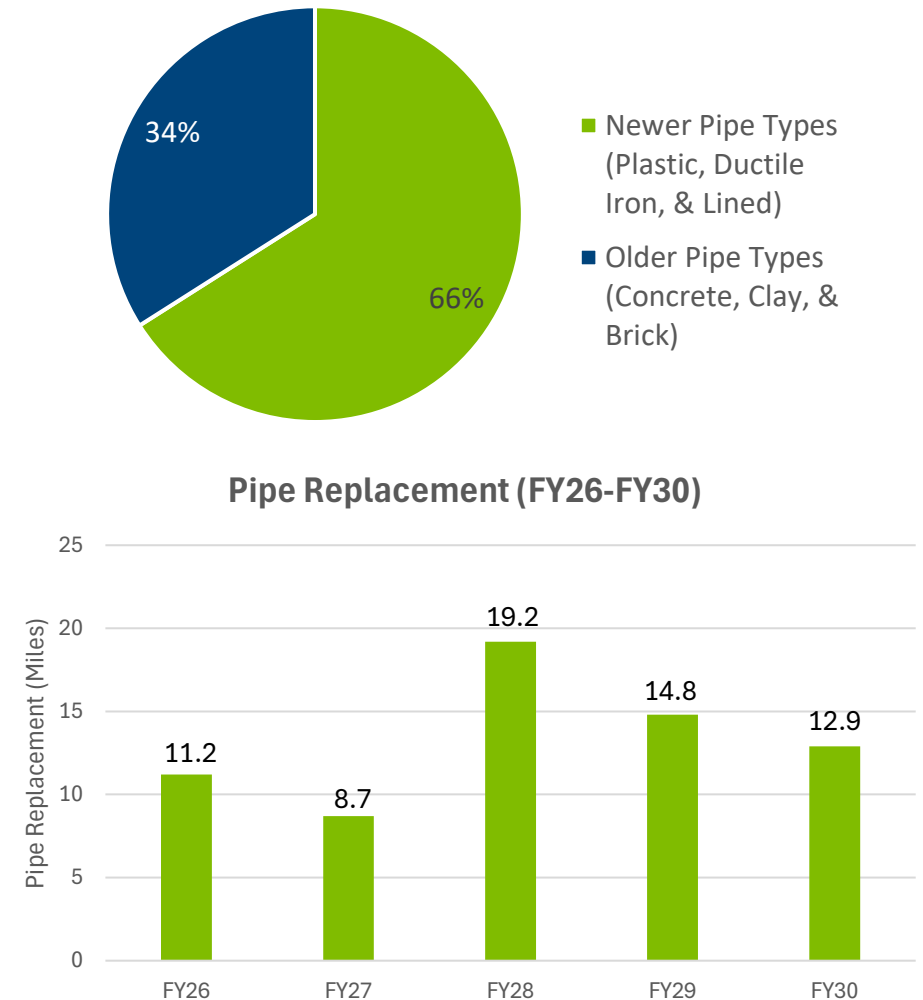
Remote Sites

- Total spend: \$28.8M
- Walker Springs Pump Station and Force Main (FY25-FY26)
 - (\$12M) \$4.75M ARPA funding
- Boyds Bridge Force Main (FY26)
- Holston Hills Pump Station (Finishing in FY26)
- Harrison Keepe Pump Station (FY26)
- Wyngate Pump Station (FY27)
- Mascot Pump Station (FY28)



Collection System Rehabilitation

- Total spend is \$122.9M (FY26-FY30)
- 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 (FY26)
 - 13,200' included



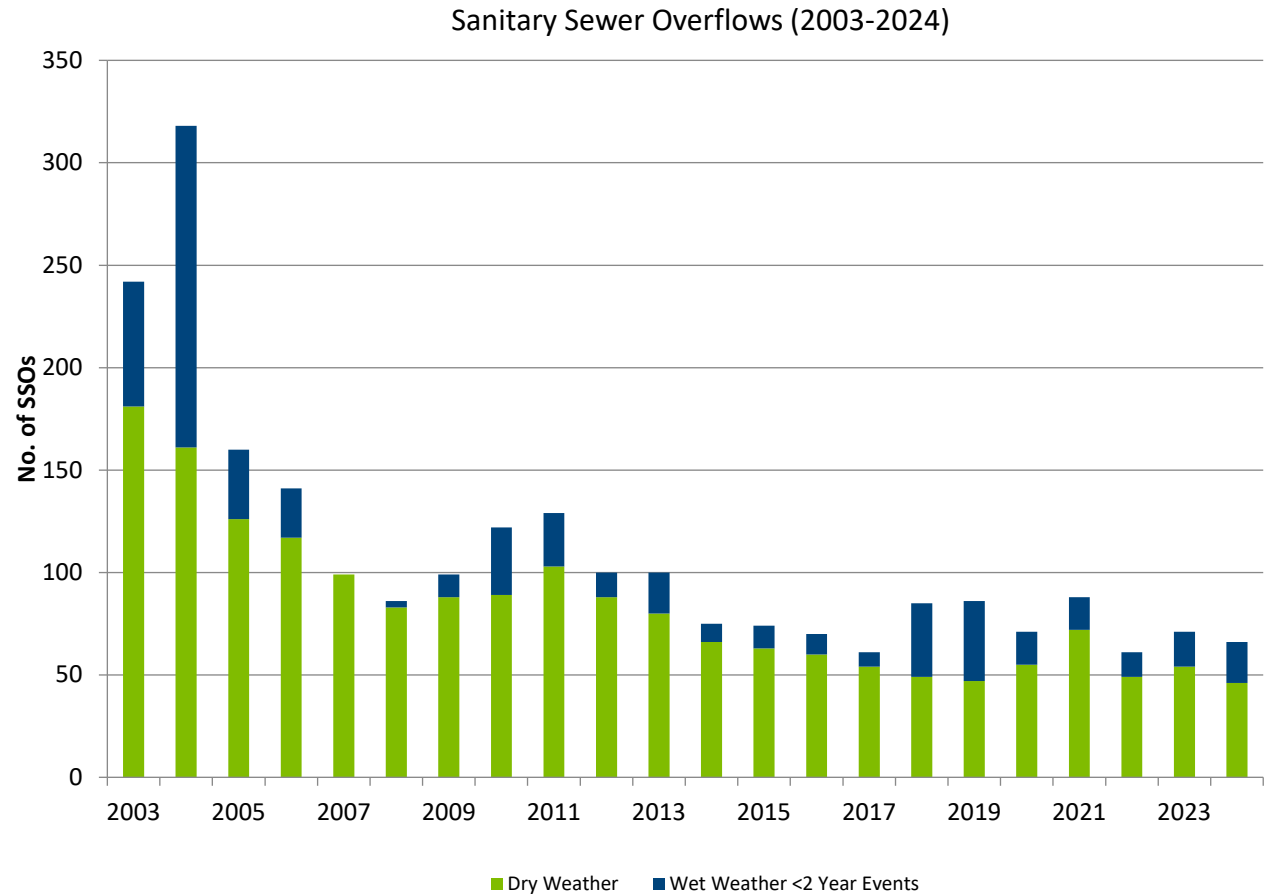
Collection System Rehabilitation

- Shortline Program spend is \$37.2M
 - 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



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





KUB

KNOXVILLE
UTILITIES BOARD



April 17, 2025

Fiber Division



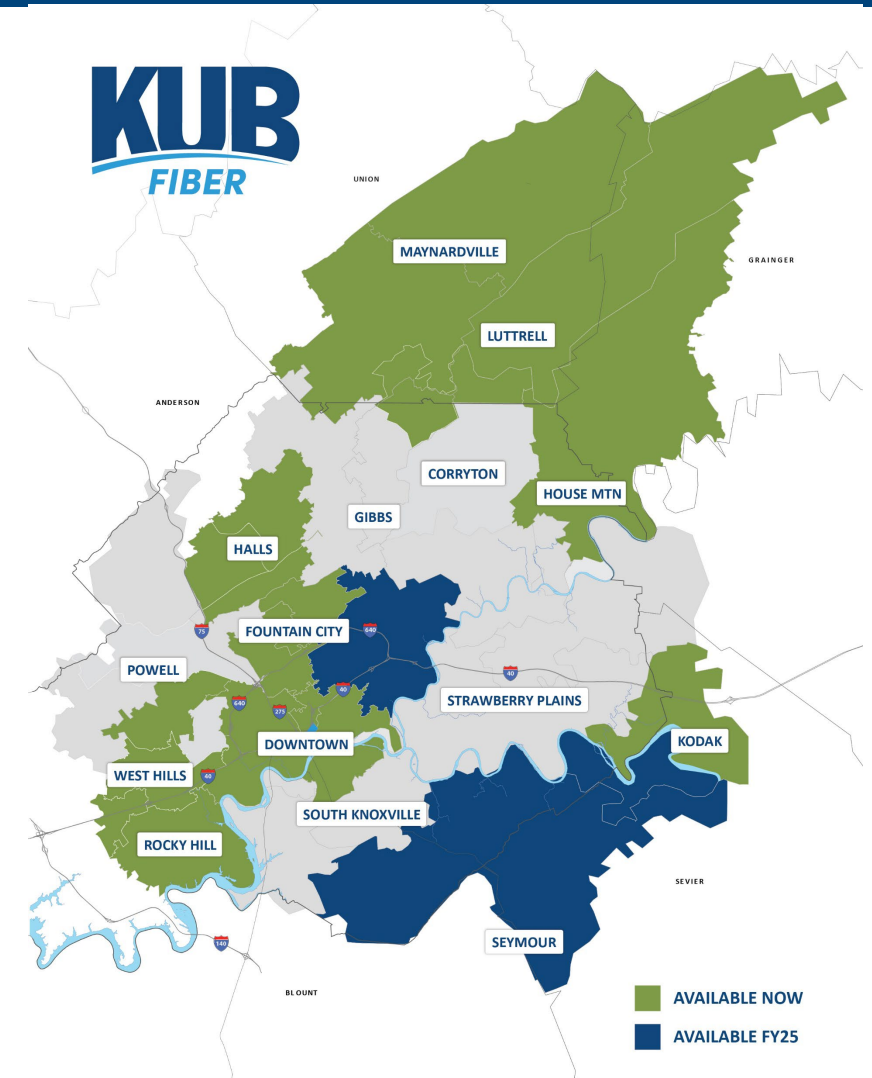
This Time Last Year...

- 1,400 miles of fiber installed
- 8,500 active customers
- Available to 53,940 addresses
- Grainger County completed
- Half of Union County completed



Current State

- 2,500 miles of fiber installed
- More than 19,000 active customers
- Available to 84,885 addresses
 - Over 100,000 addresses by June 2025
- Union County completed

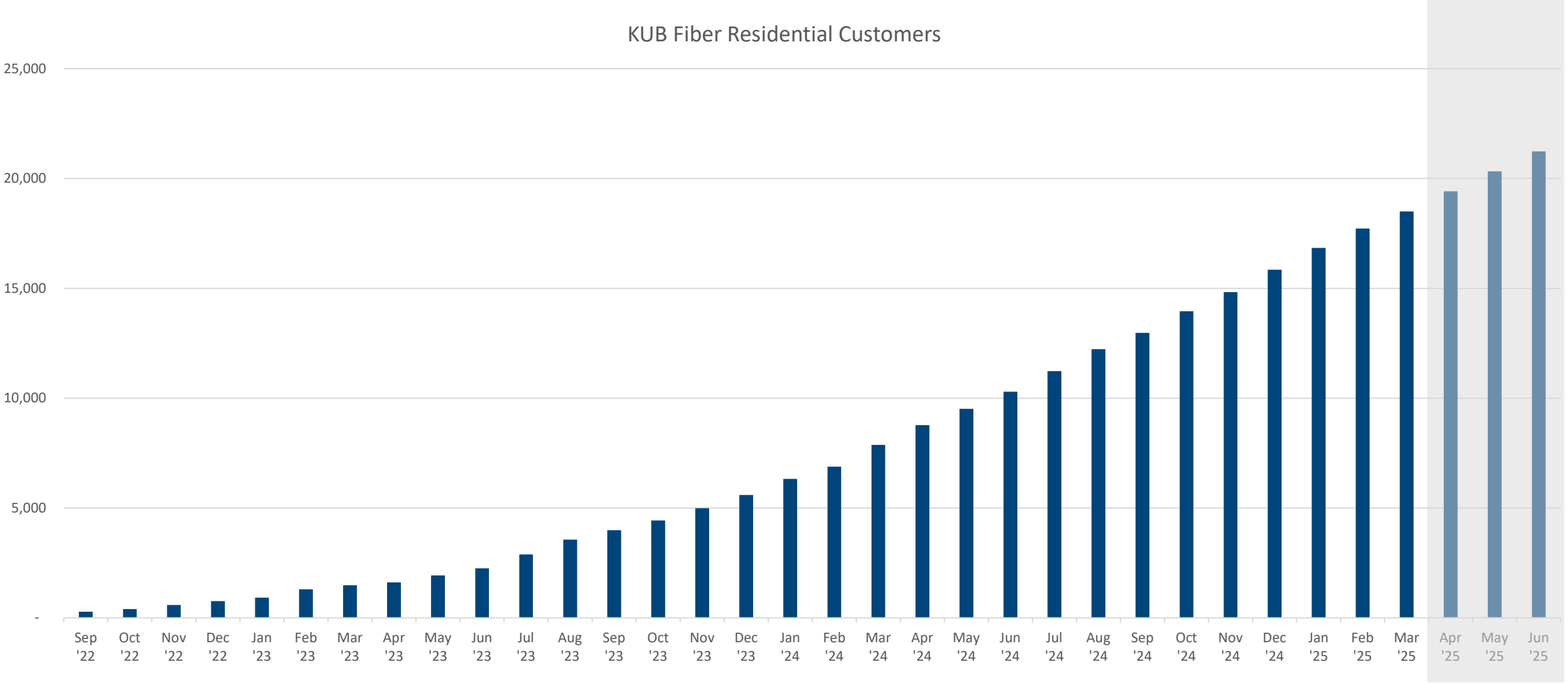


Rollout in Grant Funded Areas on Track

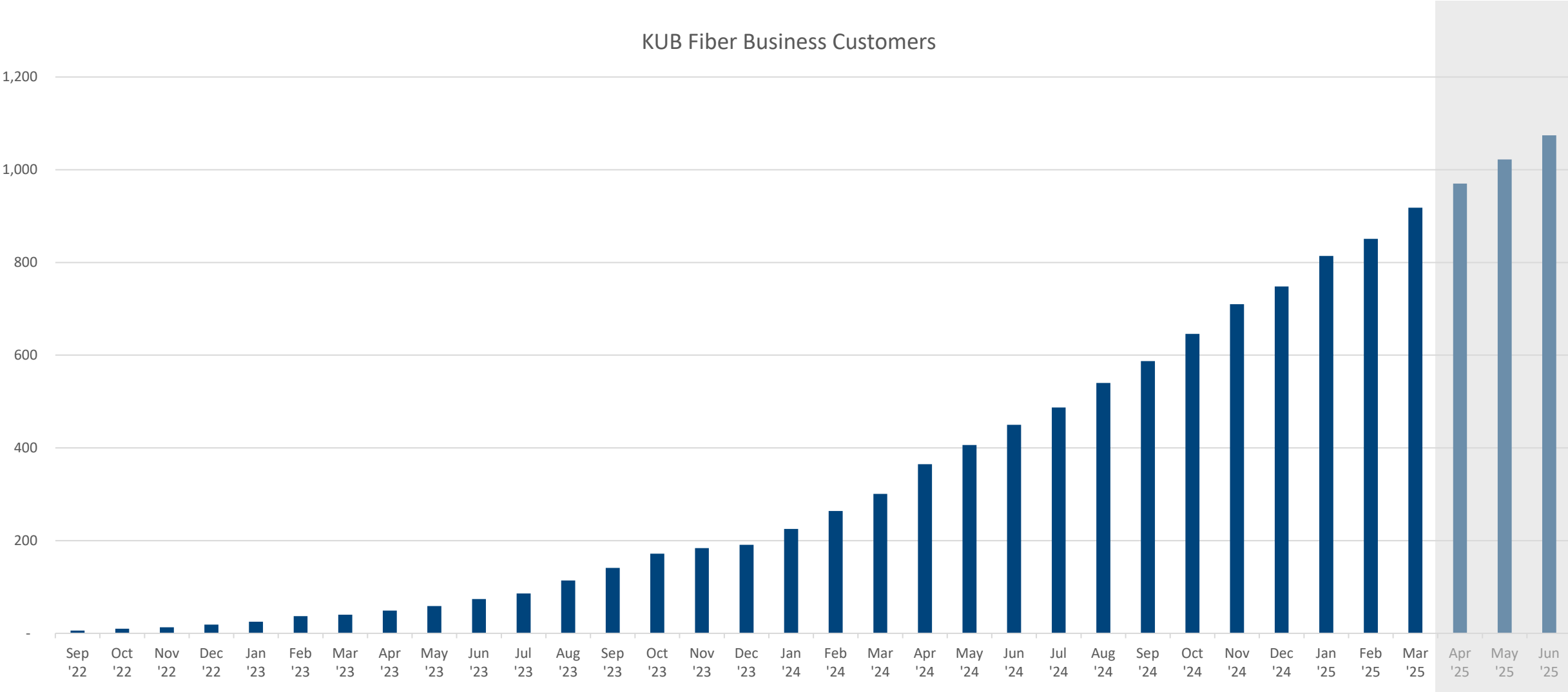
- Union County is closed out
 - \$6.5M reimbursable, \$5M received
- Grainger County is closed out
 - \$4.6M reimbursable, \$4.6M received
- Sevier County is 50% complete
 - \$3.2M reimbursable, \$215k received
 - Projected completion summer 2025
- Jefferson County is 10% complete
 - \$925k reimbursable, \$0 received
 - Projected completion fall 2025



Residential Growth Achieving Goals



Business Growth Achieving Goals



Changing Environment for Phone & TV

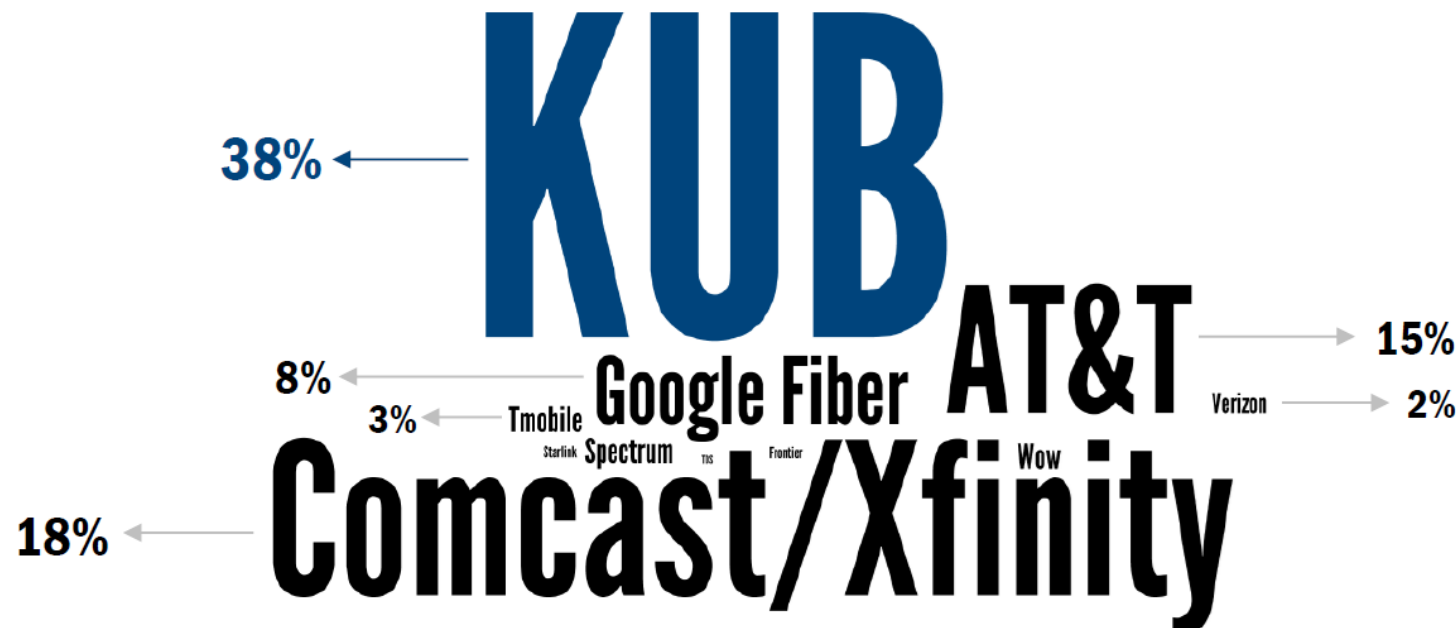
- Market remains everchanging for TV and phone
- Financial plan represents a reforecast of future growth
- Net impact is reduction in revenue of \$3.7M to Fiber Division



Unaided Consideration Remains Strong

Unaided Consideration Towards Tennessee Internet Providers – Total Audience

Unaided Mentions, Among Total Mentions



Top 5 Unaided Mentions

	Baseline	Wave 2	Wave 3
KUB	25%	40%	38%
Comcast/Xfinity	29%	16%	18%
AT&T	19%	16%	15%
Google Fiber	0%	6%	8%
T-Mobile	<1%	5%	3%

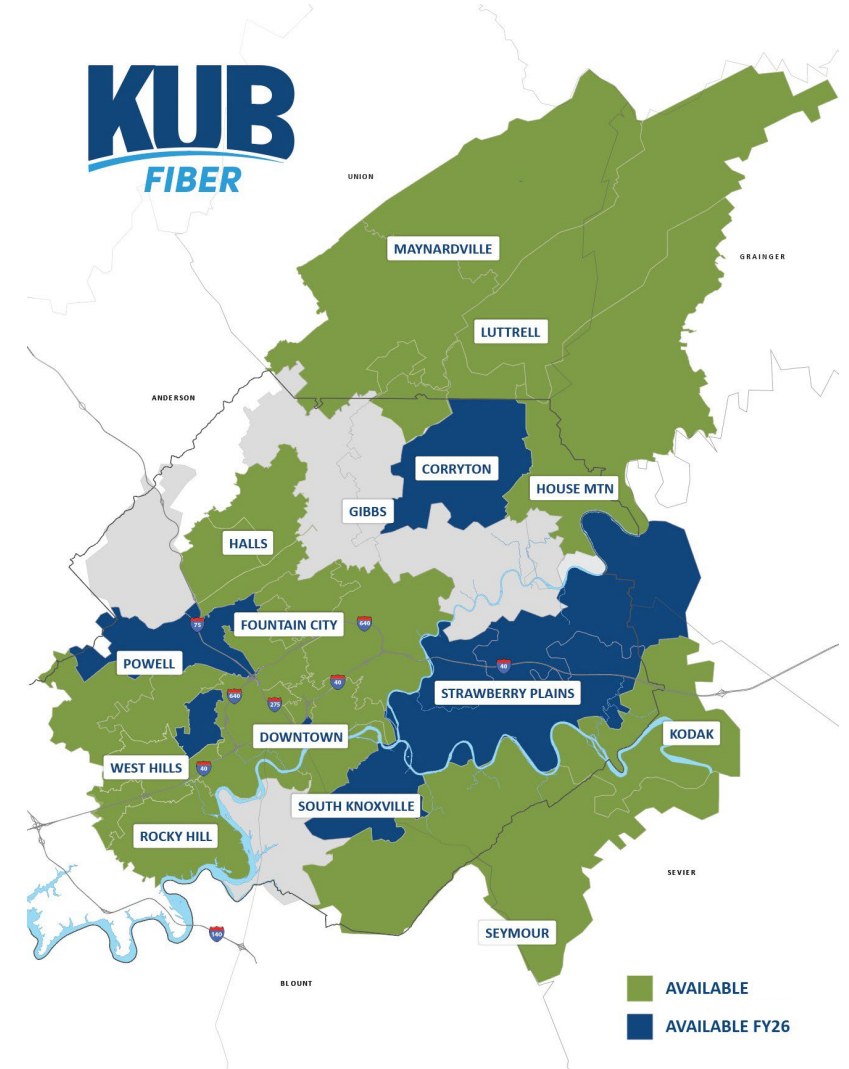
- Unaided future intent remained stable after jump in 2023
- Shows potential to drive acquisition in the marketplace

FY26 Marketing Focus



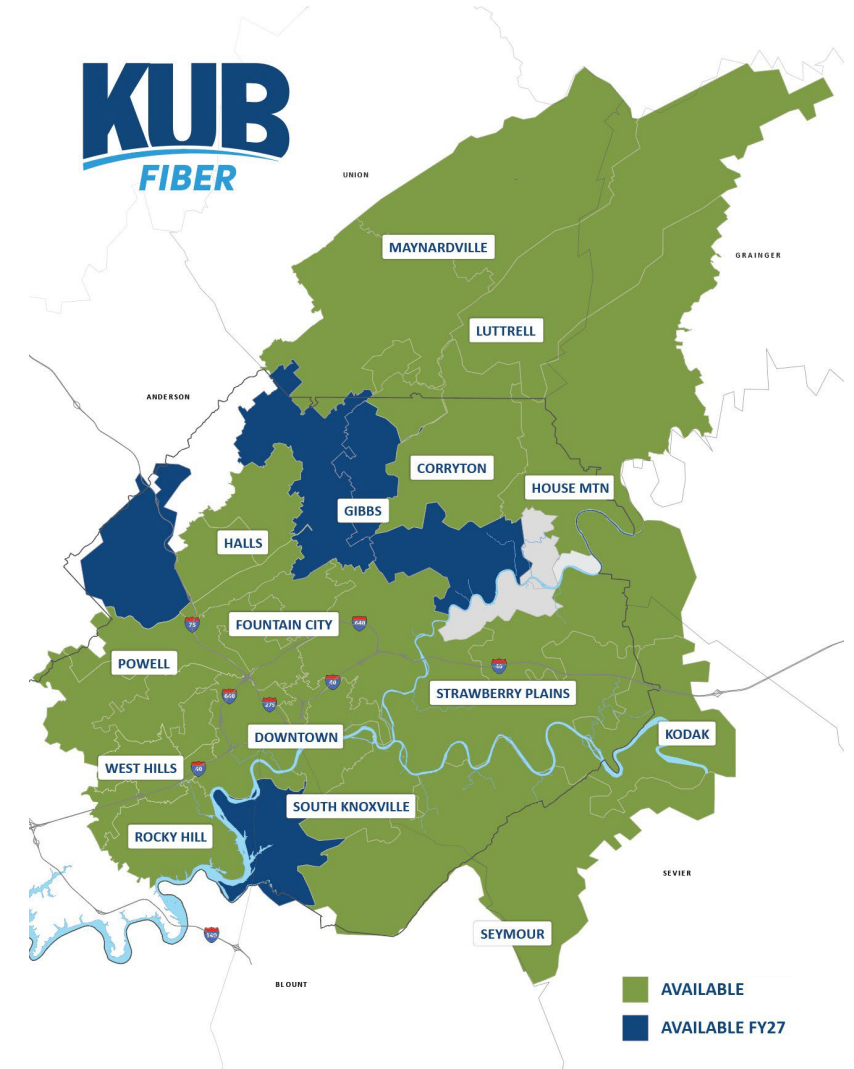
FY26 Buildout Plan

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



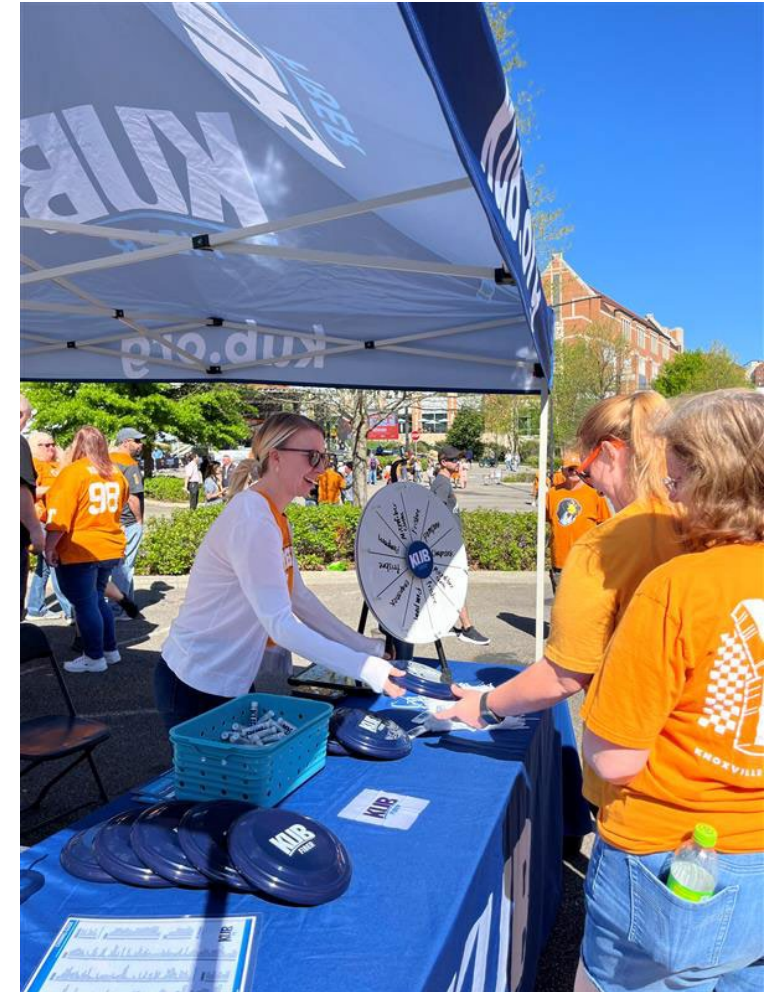
Looking Ahead to FY27

- Install an additional 600 miles of fiber
 - Approaching total of 4,300 miles
- Make available to an additional 18,000 customers
 - Available to almost 152,000 customers



FY26 Goals

- Grow base by additional 11,280 customers
 - 10,560 residential
 - 720 business
- Make available to additional 19,000 customers
- Increase ConnectED customers by 200



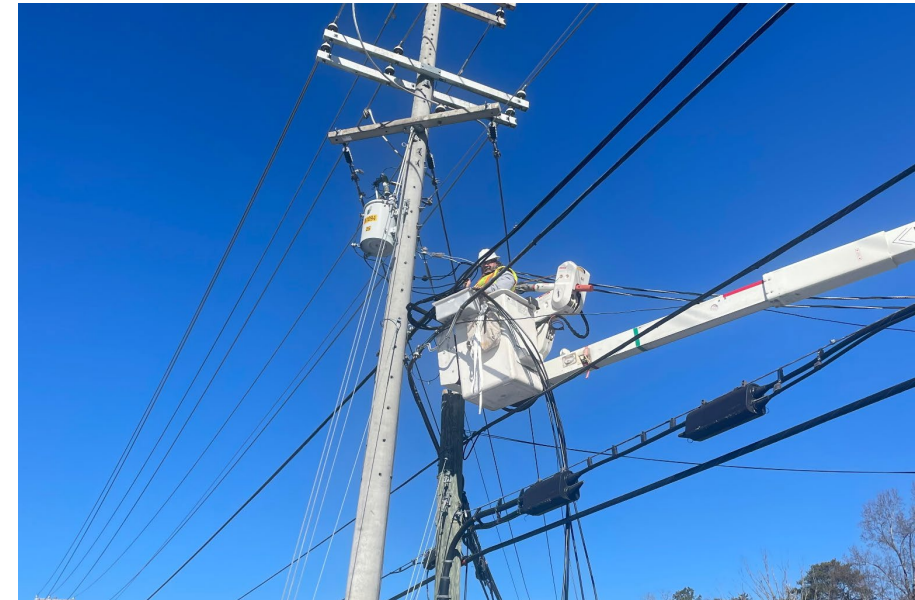
Fiber-to-the-Home Overview FY26

- Electric
 - \$4.5M operations and maintenance
 - \$71.4M capital
- Fiber
 - \$28.1M operations and maintenance
 - \$1.4M capital



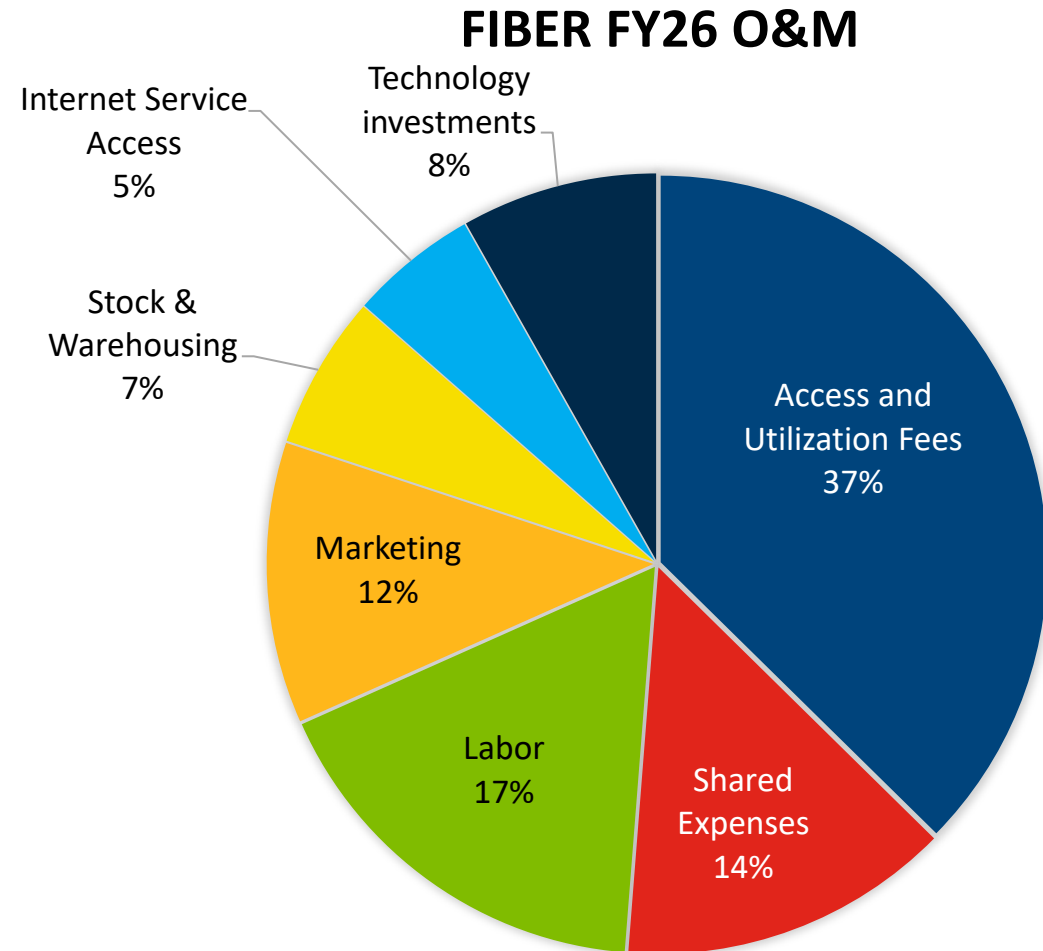
Fiber-to-the-Home & the Electric Division FY26

- Construction plan still on schedule
 - Total Capital: \$71.4M
 - Network construction: \$48.1M
 - Smart switches: \$9.5M
 - Electronic equipment: \$2.3M
 - Service connections: \$11.5M
 - Total Operations and Maintenance: \$4.5M
 - Network operations labor and fiber maintenance, and warehousing
- Fiber network will be fully constructed by FY29



Fiber Division FY26 Details

- Total capital: \$1.4M
 - Facilities: \$0.1M
 - Internet service infrastructure: \$0.3M
 - Information technology investments: \$0.2M
 - Vehicles: \$0.5M
- Total operations and maintenance: \$28.1M
 - Access and utilization fees: \$10.5M
 - Shared expenses: \$3.9M
 - Labor: \$4.8M
 - Marketing and advertising: \$3.3M
 - Stock and warehousing: \$1.8M
 - Internet service access: \$1.5M
 - Information technology investments: \$2.3M



Customers Love KUB Fiber!

Unsolicited Reviews from Social Media



Mike S
It has worked great ever since it was installed. The technicians were very helpful and knowledgeable.



Bobbi S
Love KUB! Haven't had one problem with Fiber! The techs were awesome. Love it!



Marsha A
We Love our KUB Fiber internet!! We have lived here 23 years with sub par internet until now. Thank You KUB !!



Nancy T
It's great. Everyone that I have talked with from KUB are so nice and knowledgeable.



Stephanie S
Got this on July 3rd switch from wow and what a difference. Love this Internet and super fast download speed. We have gaming systems and to download an 80 GB game only took 8 min. With wow it was taking 30 and we had the same speed through them



Martha B
My installation team was amazing. Great work guys!

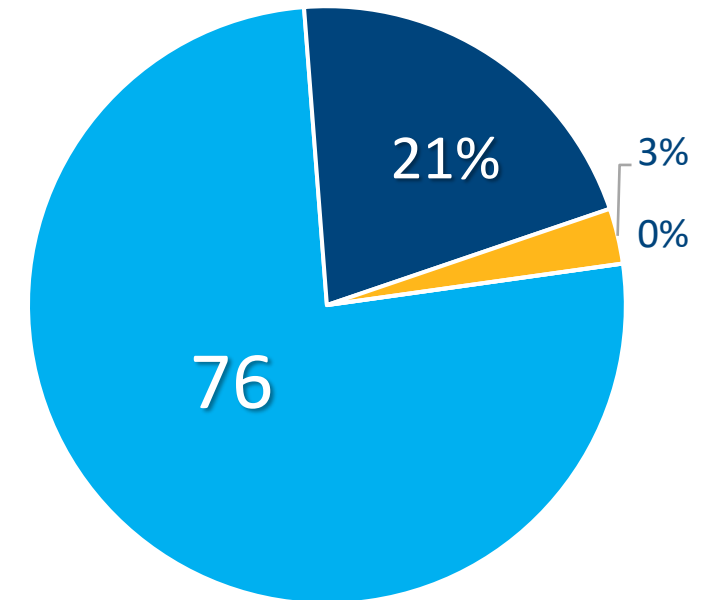


Lee F
Best installation process ever. The guys were profession and tidy. Service works well. 10/10!



Johnathan W
We even got it out here in the middle of nowhere Washburn!! It's amazing and so much better than that frontier bunch.

97% Of Current Customers are Extremely/Very Satisfied!



■ Extremely ■ Very ■ Somewhat ■ Not at all

Technology Landscape



Evolution of KUB Technology

- History of KUB IT
 - First IT roadmap and PMO established 1998
 - Implemented six of 10 current enterprise-level applications between 1998 and 2012
 - Major leap forward in technology
- Industry shifts
 - Operational technologies have greatly increased over the past 10 years
 - Transition from on-premise to Software as a Service (SaaS)
 - Increase in number of solutions performing specific business functions like timekeeping or procurement bid processing



Technology Challenges

- Cybersecurity landscape and greater risk to customer information and business continuity
- Implementations and upgrades are complex, lengthy, and costly
- Technology spans many areas of business and requires deeper technical hardware and software skillsets
- Many existing KUB enterprise-level systems utilize legacy programming languages and technologies
- KUB supports more than 100 software applications

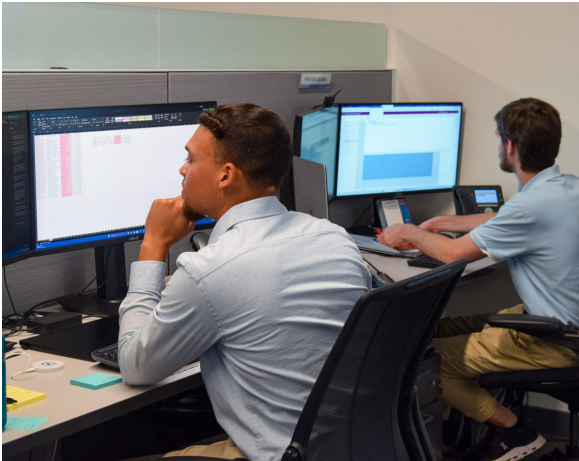
Addressing Technology Challenges with Organizational Change

Information Technology

- Corporate application delivery
- Servers and storage
- Service desk
- Records
- Cybersecurity

Operational Technology

- Control and monitoring equipment
- Systems at plants and remote sites
- Distribution automation
- Advanced metering

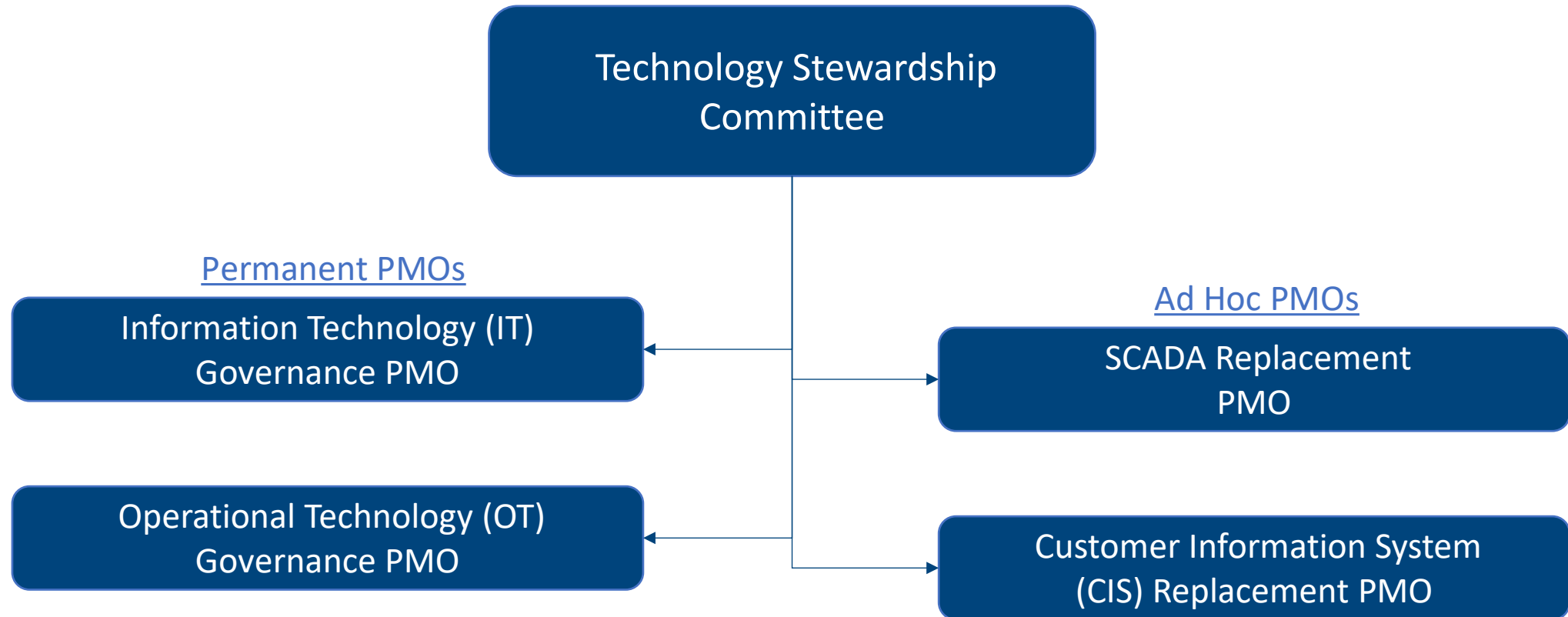


Department Changes:

- Communication Infrastructure - 2018
- Fiber Network Operations - 2021
- Business Analytics - 2024
- Corp Network and Cybersecurity - 2024
- Information Services - restructured in 2024
- Meters - restructured in 2024



Technology Stewardship



Long Range Plan – \$38.8M Technology Roadmap

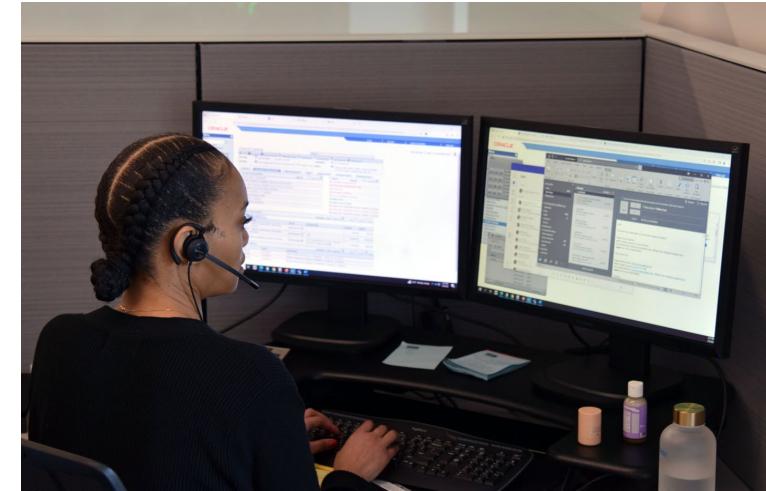
Application	FY26	FY27	FY28	FY29	FY30
Customer Applications					
CIS *	\$30,500,000				
Operations Applications					
ADMS	\$1,800,000				
AMS				\$1,000,000	
GIS	\$3,000,000				
SCADA	\$500,000				
Corporate Applications					
FMS		\$1,000,000			
HRIS	\$1,000,000				

* MDM, FieldWork, KUB Website/Mobile App

* MDM, FieldWork, KUB Website/Mobile Apps, and IVR dependent upon CIS decision

Customer Information System (CIS)

- System of record for all customer data and inquiry
- Customer billing and payment processing
- System of origin for all customer service work
- New service workflows
- Meter installation, maintenance, testing, and removal

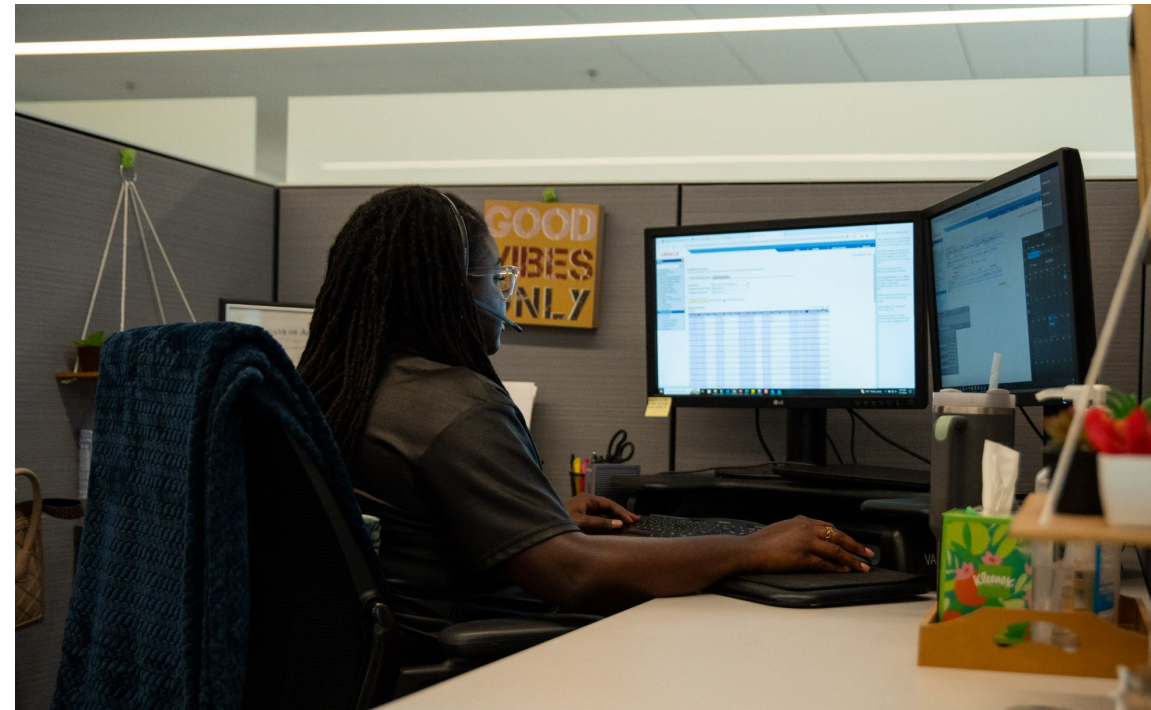


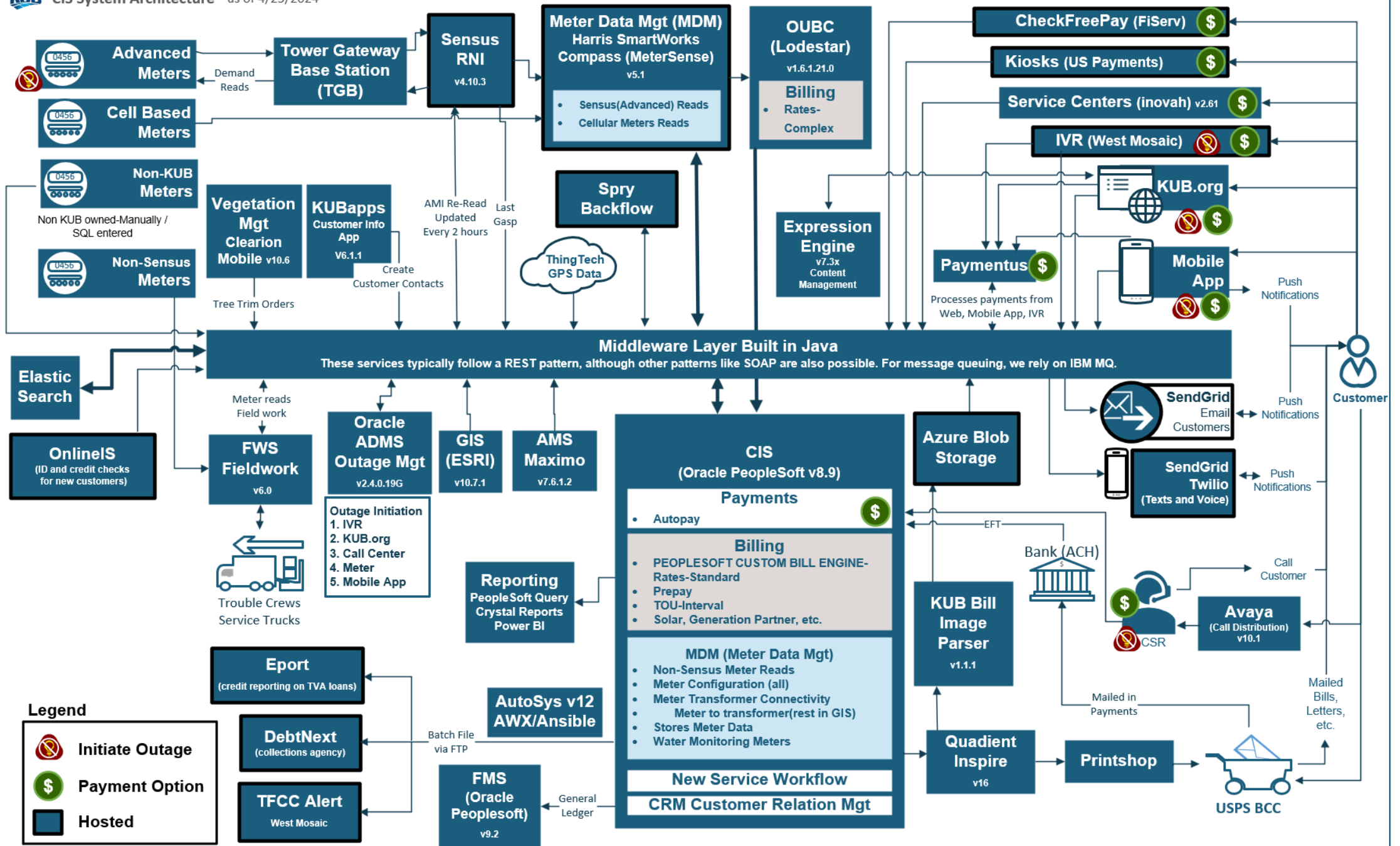
CIS Replacement

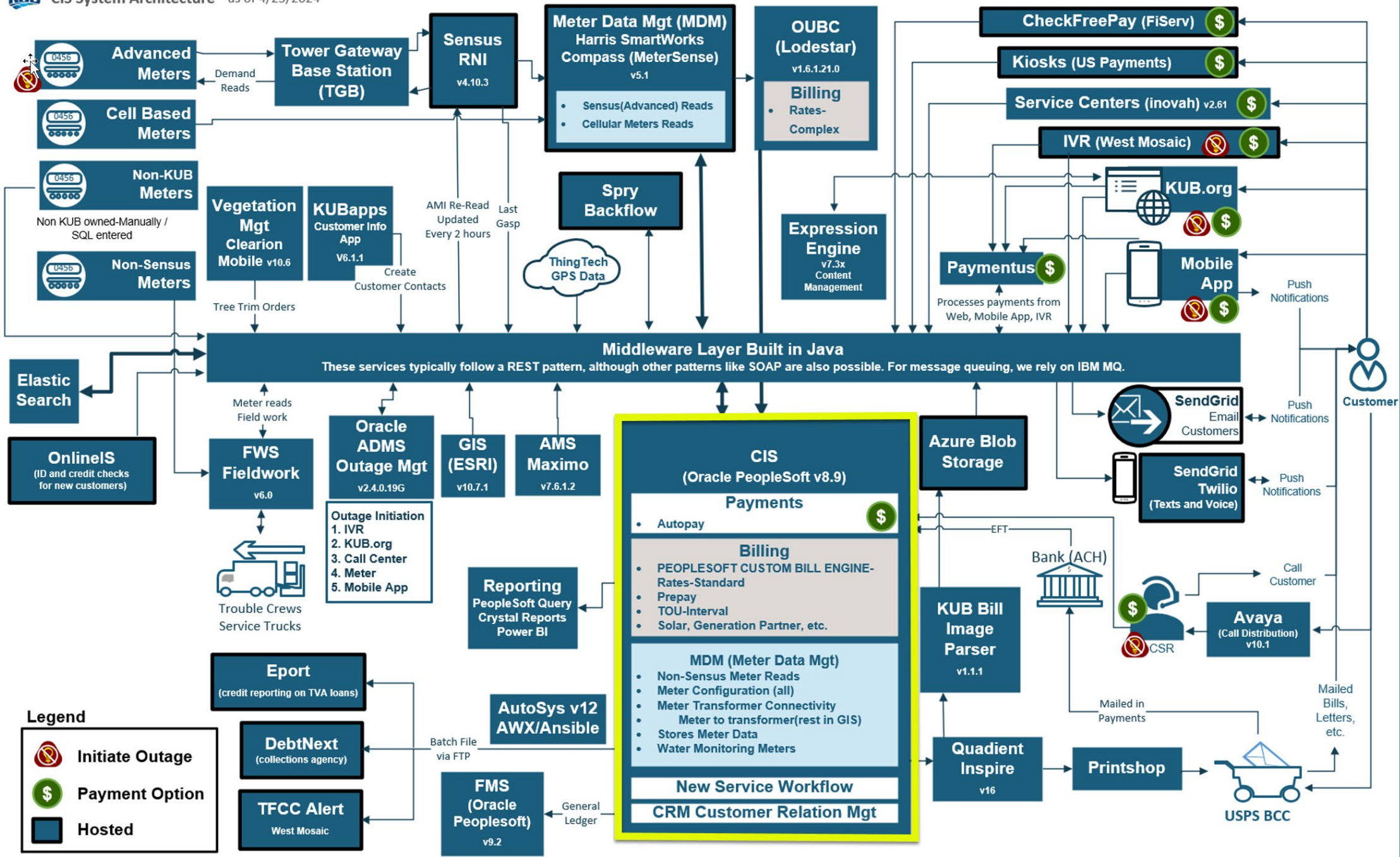
- Pre-Covid: initial CIS research completed
- 2023: resumed discovery through conferences, demos, and discussions with utility peers
- 2024: engaged with consultant to create Request for Proposal (RFP) and formally bid CIS replacement
- Summer 2025: evaluating vendors
- Fall 2025: award contract, with implementation beginning 2026
- Estimated 24+ month implementation

CIS Project Objectives

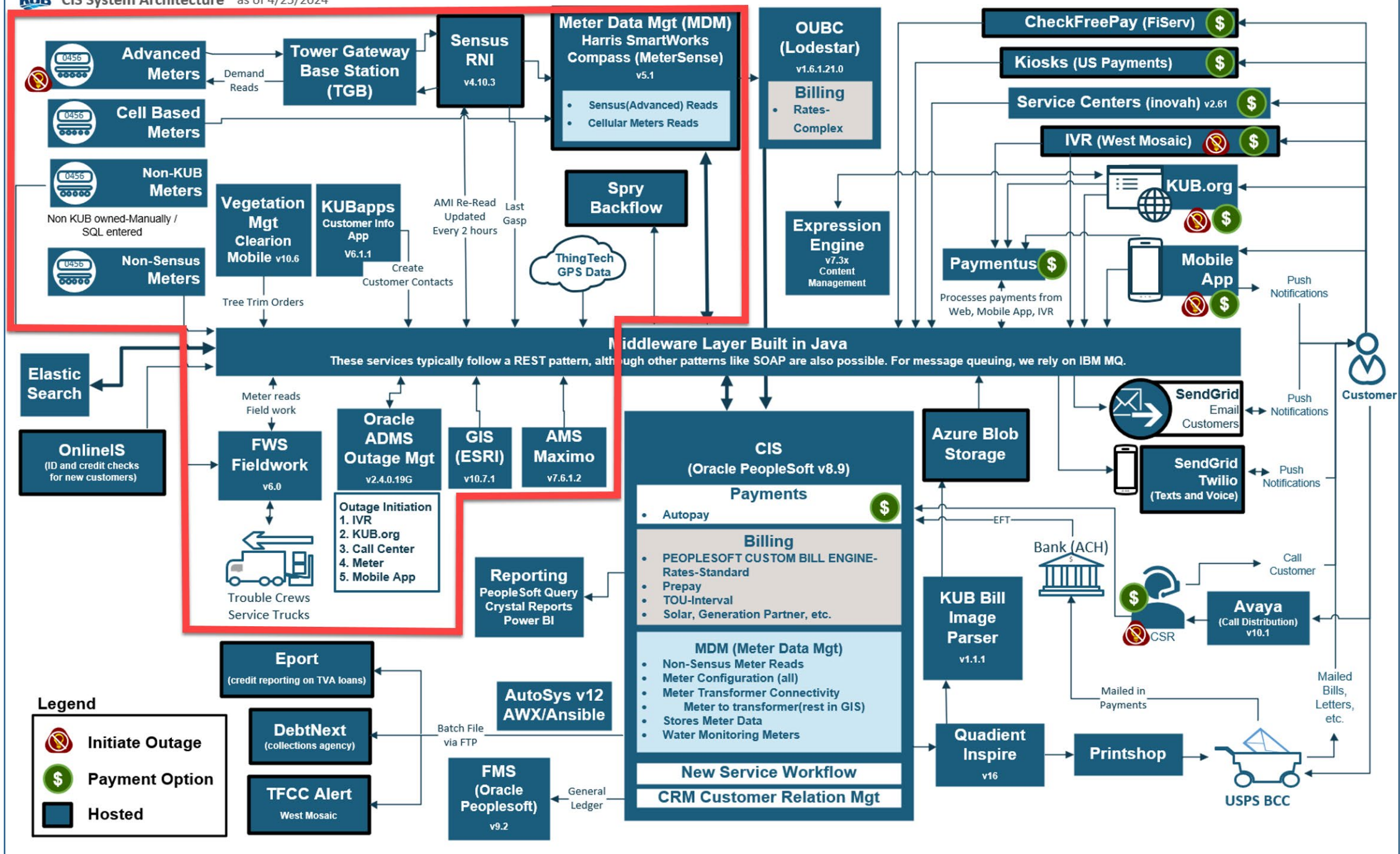
- Consolidation of all five utilities into one system
- Modernize CSR user interface while providing near real-time customer engagement tools
- Streamline processes for managing complex account structures and bill generation
- Enhance asset management functionality

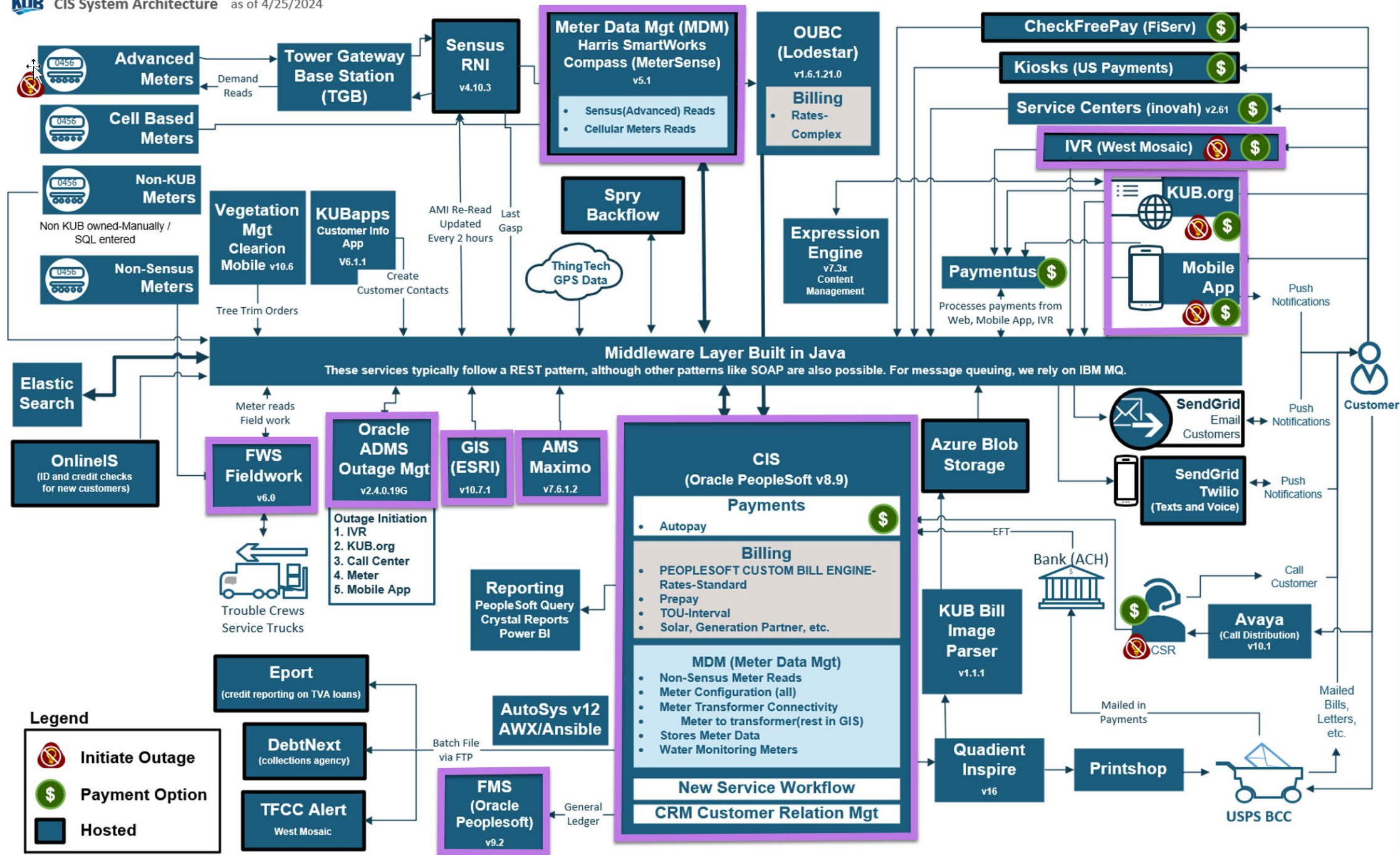




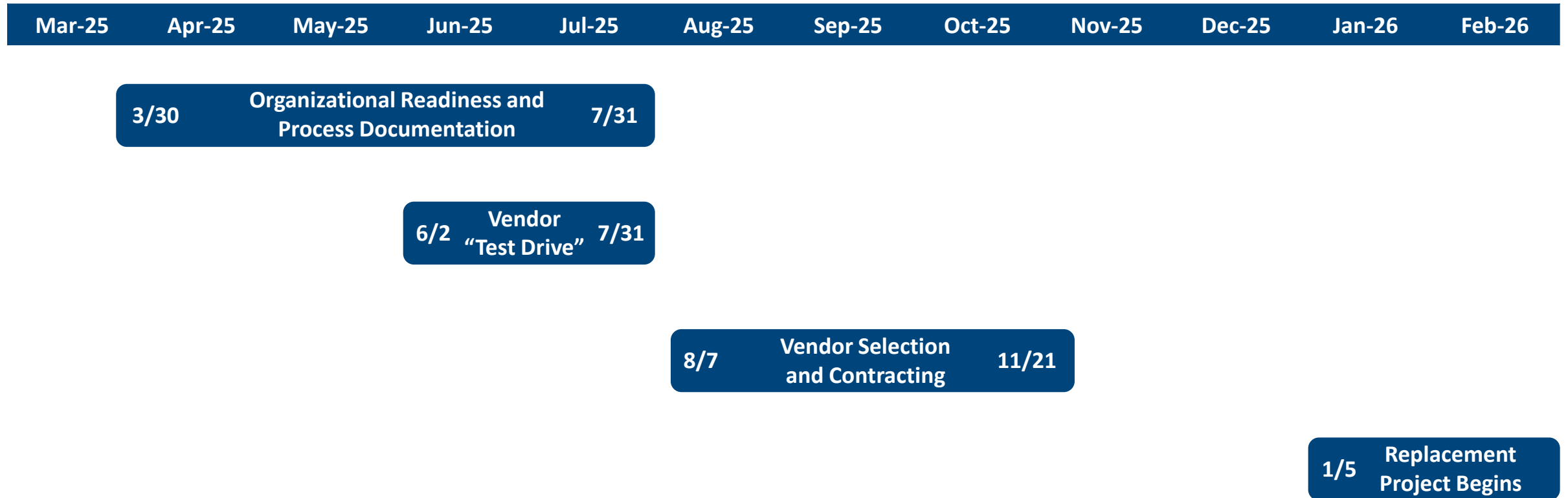








CIS 2025 Timeline





April 17, 2025

Long Range Financial Plan & Proposed FY26 Budget Appropriations



Long-Term Financial Strategy

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

Long-Range Financial Plan Update

- Long-Range Plan remains on track
- Inflationary pressures still present in some areas
- Total costs are up \$16M
- Additional customers and margins offset cost increases
 - Electric - \$37M
 - Gas - \$3M
 - Wastewater - \$10M
- Debt down slightly - \$217M of anticipated new bonds
- Increased contingencies

Financial Plan Targets

- Meet minimum operating cash levels
- Maintain 60 days restricted contingency cash reserves
- Build up unrestricted cash reserves
- Meet debt-related targets
- No change to rate increases

	Electric	Gas	Water	WW
Operating Cash	\$50M	\$15M	\$7.5M	\$10M
Restricted Contingency Cash *	60 days	60 days	60 days	60 days
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

Long Range Electric Plan

- FY26 minimum operating and contingency cash levels met
- FY30 unrestricted contingency cash level met
- \$37M of new debt in FY26
- FY30 outstanding debt projected at \$483M

	Targets	Plan
FY26 Operating Cash	\$50M	\$52M
FY26 Restricted Contingency Cash	60 days	✓
FY30 Unrestricted Contingency Cash	\$20M	\$20M
FY30 Outstanding Debt	≤ \$500M	\$483M
FY26 – FY30 Debt Service Coverage	≥ 3.0X	✓

	FY26 – FY30 Rate Increases				
	FY26	FY27	FY28	FY29	FY30
FY25 Plan	3%	2%	---	---	---
FY26 Plan	3%	2%	---	---	---

Long Range Gas Plan

- FY26 minimum operating and contingency cash levels met
- FY30 unrestricted contingency cash level met
- FY30 outstanding debt projected at \$33M

	Targets	Plan
FY26 Operating Cash	\$15M	\$19M
FY26 Restricted Contingency Cash	60 days	✓
FY30 Unrestricted Contingency Cash	\$15M	\$18M
FY30 Outstanding Debt	≤ \$50M	\$33M
FY26 – FY30 Debt Service Coverage	≥ 3.0X	✓

	FY26 – FY30 Rate Increases				
	FY26	FY27	FY28	FY29	FY30
FY25 Plan	3%	3%	2%	2%	2%
FY26 Plan	3%	3%	2%	2%	2%

Long Range Water Plan

- FY26 minimum operating and contingency cash levels met
- FY30 unrestricted contingency cash level met
- \$18M of new debt in FY26
- FY30 outstanding debt projected at \$232M

	Targets	Plan
FY26 Operating Cash	\$7.5M	\$8.4M
FY26 Restricted Contingency Cash	60 days	✓
FY30 Unrestricted Contingency Cash	\$10M	\$10M
FY30 Outstanding Debt	≤ \$235M	\$232M
FY26 – FY30 Debt Service Coverage	≥ 2.0X	✓

	FY26 – FY30 Rate Increases				
	FY26	FY27	FY28	FY29	FY30
FY25 Plan	6%	6%	6%	6%	6%
FY26 Plan	6%	6%	6%	6%	6%

Long Range Wastewater Plan

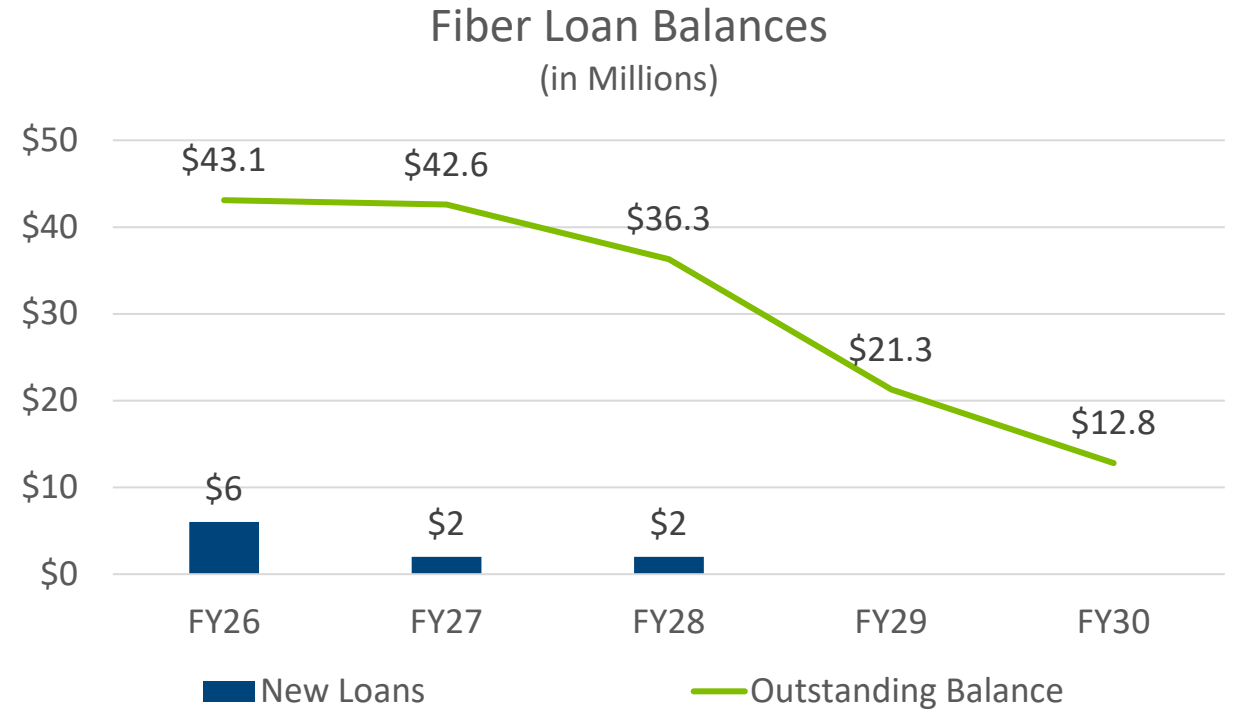
- FY26 minimum operating and contingency cash levels met
- FY30 unrestricted contingency cash level met
- FY30 outstanding debt projected at \$403M

	Targets	Plan
FY26 Operating Cash	\$10M	\$11M
FY26 Restricted Contingency Cash	60 days	✓
FY30 Unrestricted Contingency Cash	\$10M	\$10M
FY30 Outstanding Debt	≤ \$425M	\$403M
FY26 – FY30 Debt Service Coverage	≥ 1.75X	✓

	FY26 – FY30 Rate Increases				
	FY26	FY27	FY28	FY29	FY30
FY25 Plan	2%	2%	2%	2%	2%
FY26 Plan	2%	2%	2%	2%	2%

Long Range Fiber Plan

- Margin down \$3.7M
- Loans continue through FY28
- Positive cash flow in FY30
- FY30 outstanding debt projected at \$12.8M



FY26 Budget Overview

- Proposed budget \$1.3B
- Up \$53M or 4% compared to FY25 forecast
- \$263M O&M budget
- \$271M capital budget includes \$139M for Century II and \$71M for electric system fiber infrastructure
- \$55M in new bonds help fund capital budget
- Rate increases for FY26 previously adopted by Board
 - 6% water and 2% wastewater (July 2025)
 - 3% gas (October 2025)
 - 3% electric (April 2026)

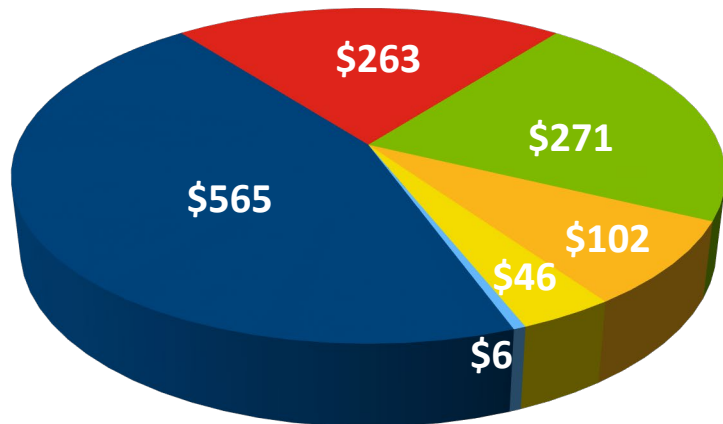
Proposed FY26 Budget: \$1.3B

	Electric	Fiber	Gas	Water	Wastewater	Total
Energy Cost	\$480.1	\$2.5*	\$82.0	\$ ---	\$ ---	\$564.6
O&M	\$106.8	\$28.1	\$32.5	\$42.8	\$52.8	\$263.0
Capital	\$157.4	\$1.4	\$24.1	\$47.5	\$40.6	\$271.0
Debt Service	\$39.8	\$4.2	\$9.0	\$16.9	\$32.2	\$102.1
Taxes and Equivalents	\$23.2	\$0.4	\$9.2	\$5.5	\$7.5	\$ 45.8
Loan to Fiber	\$ 6.0	\$ ---	\$ ---	\$ ---	\$ ---	\$ 6.0
<hr/>						
\$ in Millions	\$813.3	\$36.6	\$156.8	\$112.7	\$133.1	\$1,252.5

* Fiber Cost of Goods Sold

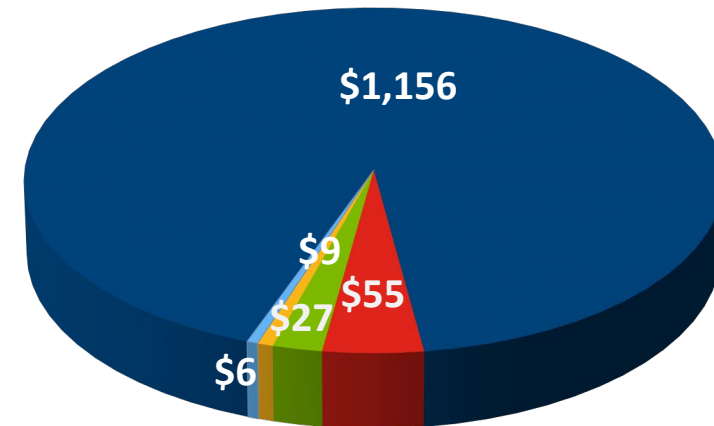
Funding FY26 Budget

Budget = \$1.3B



- Wholesale Energy = 45%
- O&M = 21%
- Capital = 22%
- Debt Service = 8%
- Taxes and Equivalents = 4%
- Loan to Fiber = < 1%

Funding = \$1.3B



- System Revenues = 92%
- Bonds = 4%
- Cash on Hand = 2%
- Grants = 1%
- Loan to Fiber = 1%

May Board Meeting: Official Action Items

- FY25 additional budget appropriations for electric
- FY26 budget appropriations
- FY26 commitment appropriations
- \$55M revenue bonds
 - \$37M electric
 - \$18M water



April 17, 2025

Closing Summary



Solid Performance & Positive Outlook

- Century II continues to benefit customers
- Fiber deployment is a gamechanger
 - Enables reliability improvements
 - Provides a critical service
- Financial plans are solid
- Employees continue to excel



Awards & Honors Reflect Commitment of Service

- APPA Safety Award of Excellence
- APPA Reliable Public Power Provider
- APGA System Operational Achievement Recognition
- Sustainable Water Utility Management
- Water Heroes Award
- Pinnacle Impact Award
- Governor's Environmental Stewardship Award
- TMEPA Community Service Award
- Salvation Army Volunteer Group of the Year

Thank You

Accounting & Rates

Brian Day
Rick Jackson
Rebekah Walsh
Matt White

Fiber

Jessica Barton
Adam Crocker
Britt Elmore
Ben Mainor
Jay Miller

Communications & Executive Services

Taylor Crosby
Liz Hannah
Cortney Harris
Debbie Hullet
Skyler Navarro

Water & Wastewater

Herschel Hall
Drew Keller
Kellye Lenoir

Electric & Gas

Noah Bohrer
Ben Carey
Tim Kelly
Mathew Stinnett
Landon Williams

Information Services

Eden Leo
Tim Rich



KUB

KNOXVILLE
UTILITIES BOARD