



May 15, 2025

FY25 Appropriations Amendment, FY26 Appropriations & Funding Recommendations

Resolutions 1505, 1506, 1507, 1508



Proposed FY25 Budget Amendment

- Initial budgets approved by Board in May 2024
- Electric Division ~\$20M over budget
- Driven by TVA rate increase impact on purchased power costs
- Additional appropriations needed for Electric Division
- Discussed with Audit and Finance Committee

	Electric Division
FY25 Budget	\$793.4M
Additional Appropriations	\$ 22.0M
FY25 Budget - Amended	\$815.4M

Proposed FY26 Budget Continues Fiber Deployment & Century II Funding

- Proposed budget \$1.3B
- Up \$66M – reflecting inflation and higher wholesale energy and labor-related costs
- Capital budget \$271M
 - \$139M for Century II
 - \$71M for fiber network and services
- \$55M of new bonds help fund capital budget
- No change in previously approved rate increases

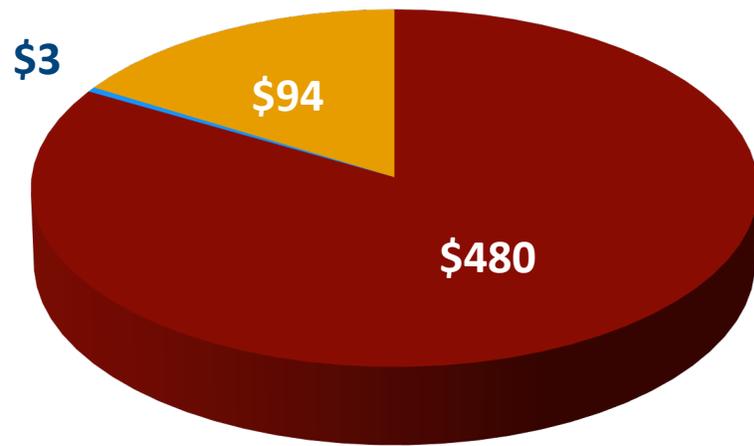
Proposed FY26 Budget: \$1.3 Billion

	Electric	Gas	Water	Wastewater	Fiber	Total
Energy Cost	\$480.1	\$ 94.2	\$ ---	\$ ---	\$ 2.5*	\$ 576.8
O&M	\$106.8	\$ 32.5	\$ 42.8	\$ 52.8	\$ 28.1	\$ 263.0
Capital	\$157.4	\$ 24.1	\$ 47.5	\$ 40.6	\$ 1.4	\$ 271.0
Debt Service	\$ 39.8	\$ 9.0	\$ 16.9	\$ 32.2	\$ 4.2	\$ 102.1
Taxes and Equivalents	\$ 23.2	\$ 9.2	\$ 5.5	\$ 7.5	\$ 0.4	\$ 45.8
Loan to Fiber	\$ 6.0					\$ 6.0
\$ in Millions	\$813.3	\$169.0	\$112.7	\$133.1	\$36.6	\$1,264.7

* Fiber Cost of Goods Sold

Wholesale Energy Budget Driven by Customer Demand

FY26 Wholesale Energy / COGS = \$577M

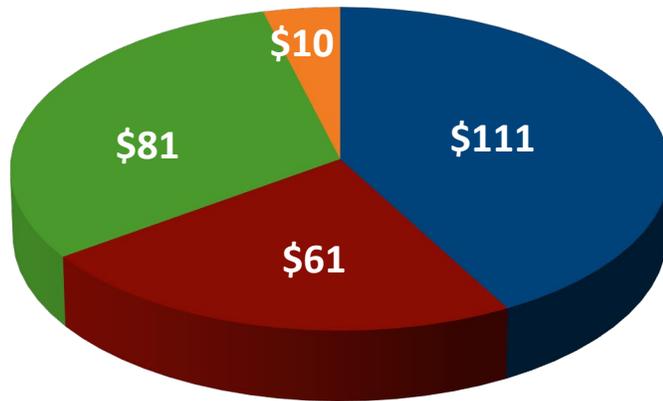


- Electric power = 83%
- Fiber COGS = 1%
- Natural gas = 16%

- Electric power
 - 5.9 billion kilowatt hours (kWh)
 - 220,000 electric customers
- Natural gas
 - 12.8 million dekatherms (dth)
 - 111,000 natural gas customers
- Fiber cost of goods sold (COGS)
 - \$0.2 million telephone costs
 - \$2.3 million television costs

O&M Budget Supports Systems Reliability

FY26 O&M = \$263M

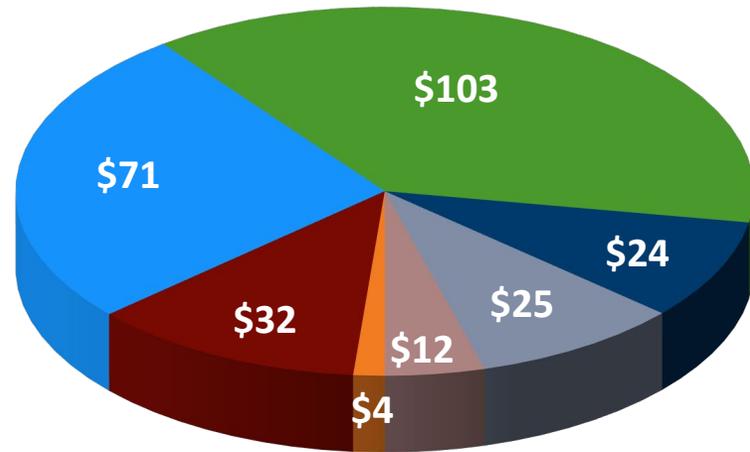


- Labor-related = 42%
- Outside services = 23%
- Materials/other = 31%
- Fiber fees to electric = 4%

- Labor-related costs
 - Payroll \$84M
 - Benefits and training \$17M
 - Post-employment benefits \$10M
- Outside services
 - Vegetation management \$16M
 - Electric line contractors \$3M
- Materials/other costs
 - New CIS \$11M
 - Utilities \$13M
 - Stock materials \$8M
- Fiber fees
 - Access fee \$5.9M
 - Utilization fee \$4.6M

Capital Budget Funds Century II & Fiber Deployment

FY26 Capital = \$271M

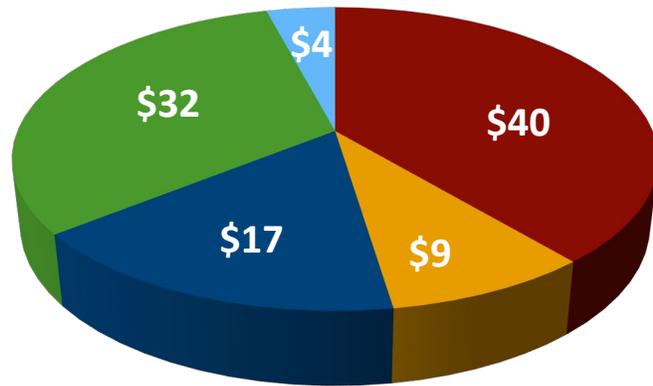


- Information technology = 1%
- Facilities/equipment = 12%
- System infrastructure = 87%
- Fiber network/services = 27%
- System improve/replace = 38%
- Plant improvements = 9%
- Growth = 9%
- Relocations = 4%

- Distribution system improvements \$140M
 - Wastewater main replacements \$18M
 - Water main replacements \$17M
 - Utility relocation projects \$12M
 - Electric substation upgrades \$12M
 - Electric transmission line improvements \$11M
 - Electric distribution line improvements \$10M
 - Pole replacement \$8M
 - Natural gas steel main replacements \$4M
- Fiber network and services \$71M
- Plant improvements \$24M
 - Kuwahee Treatment Plant improvements \$8M
 - Water filter project at MBW \$6M

Debt Budget Reflects Investments in Infrastructure

FY26 Debt Service = \$102M

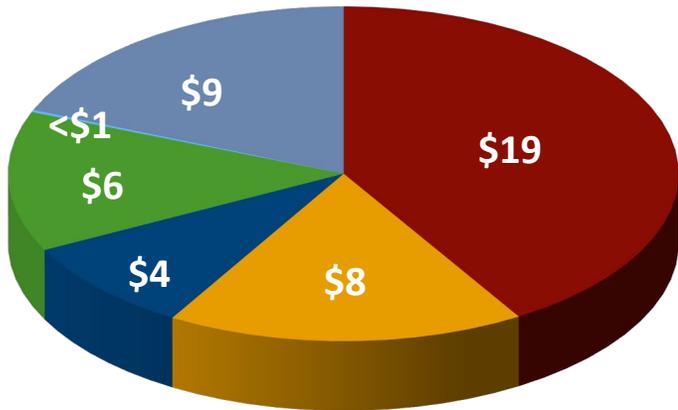


- Electric = 39%
- Natural Gas = 9%
- Water = 17%
- Wastewater = 31%
- Fiber = 4%

- FY26 principal \$52M
- FY26 interest \$50M
- New bonds \$55M
 - Electric \$37M
 - Water \$18M
- Outstanding bonds \$1.2B
- Includes \$4M in payments from Fiber Division to Electric Division

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

FY26 Taxes and PILOTs = \$46M

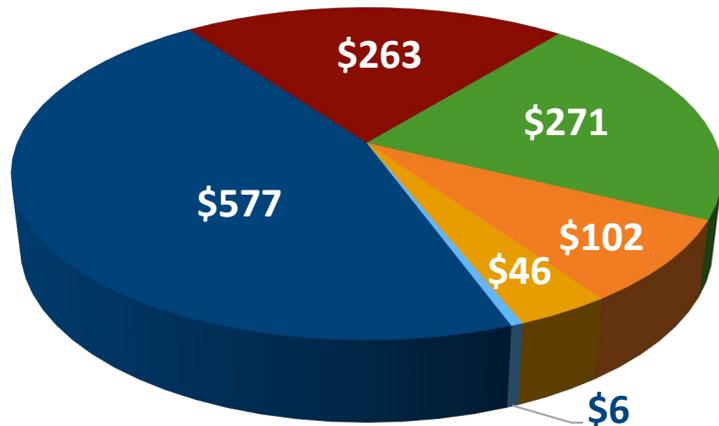


- Electric = 41%
- Natural Gas = 17%
- Water = 9%
- Wastewater = 13%
- Fiber = <1 %
- FICA = 19%

- PILOTs \$37M
 - City \$26M
 - Knox County \$10M
 - Other counties \$1M
- Payroll tax expense \$9M

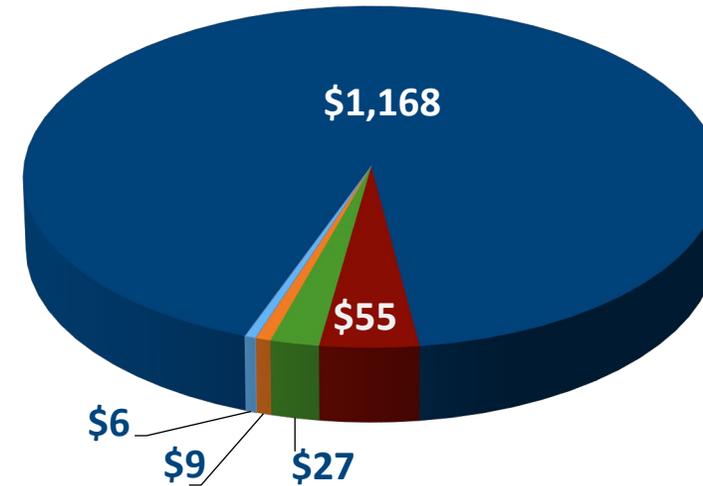
Funding FY26 Budget

Budget = \$1.3B



- Wholesale Energy = 46%
- O&M = 21%
- Capital = 21%
- Debt Service = 8%
- Taxes and Equivalentents = 4%
- Loan to Fiber = <1%

Funding = \$1.3B



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

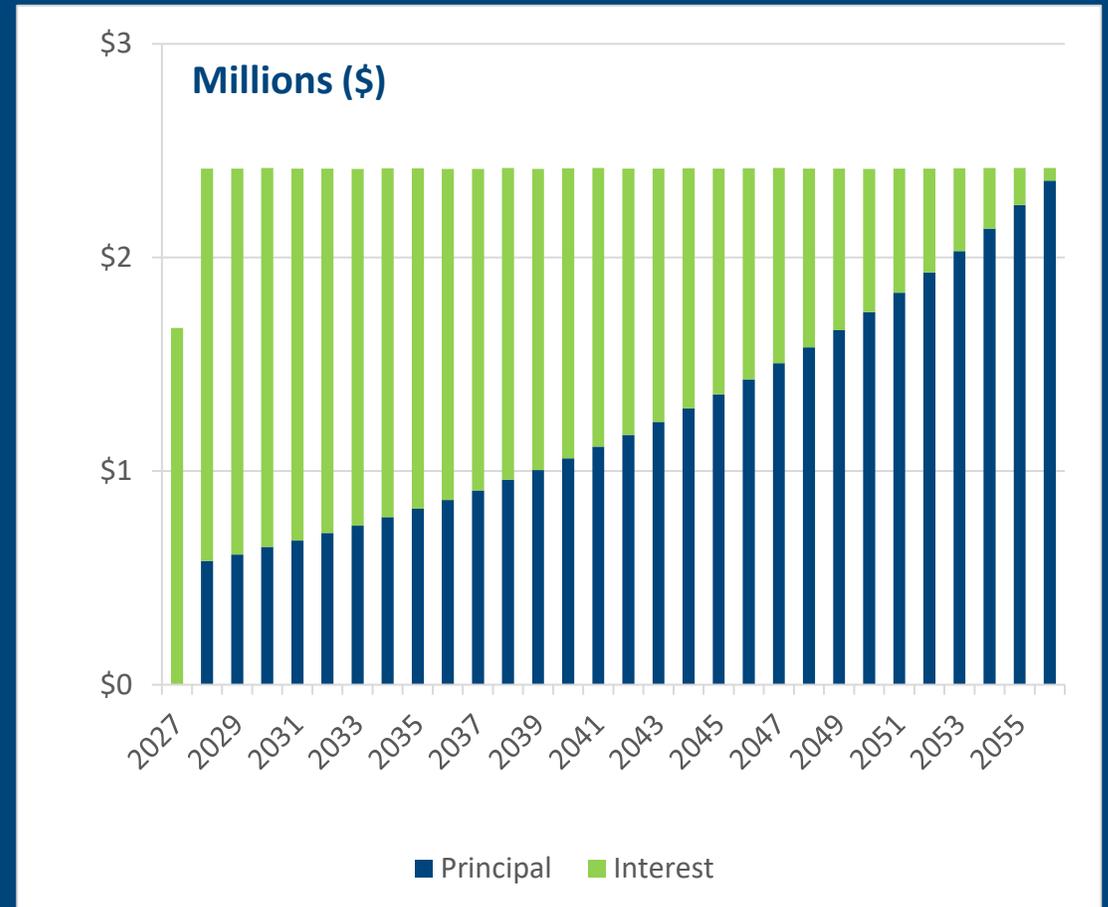
Proposed Sale of \$55M in New Bonds

- Electric \$37M
- Water \$18M
- Bonds will mature over 30 years
- Budgeted interest rate 4.5%
- Bonds callable beginning 2034
- Secured solely by issuing system revenues
- Public competitive sale this fall

Proposed New Electric Bonds - \$37M

- Projected interest cost: \$35M
- Fully mature July 2055
- FY26 year-end debt service: \$804M
 - Bonds \$503M
 - Interest \$301M
- \$349M of total debt service paid over next 10 years (\$169M bonds)

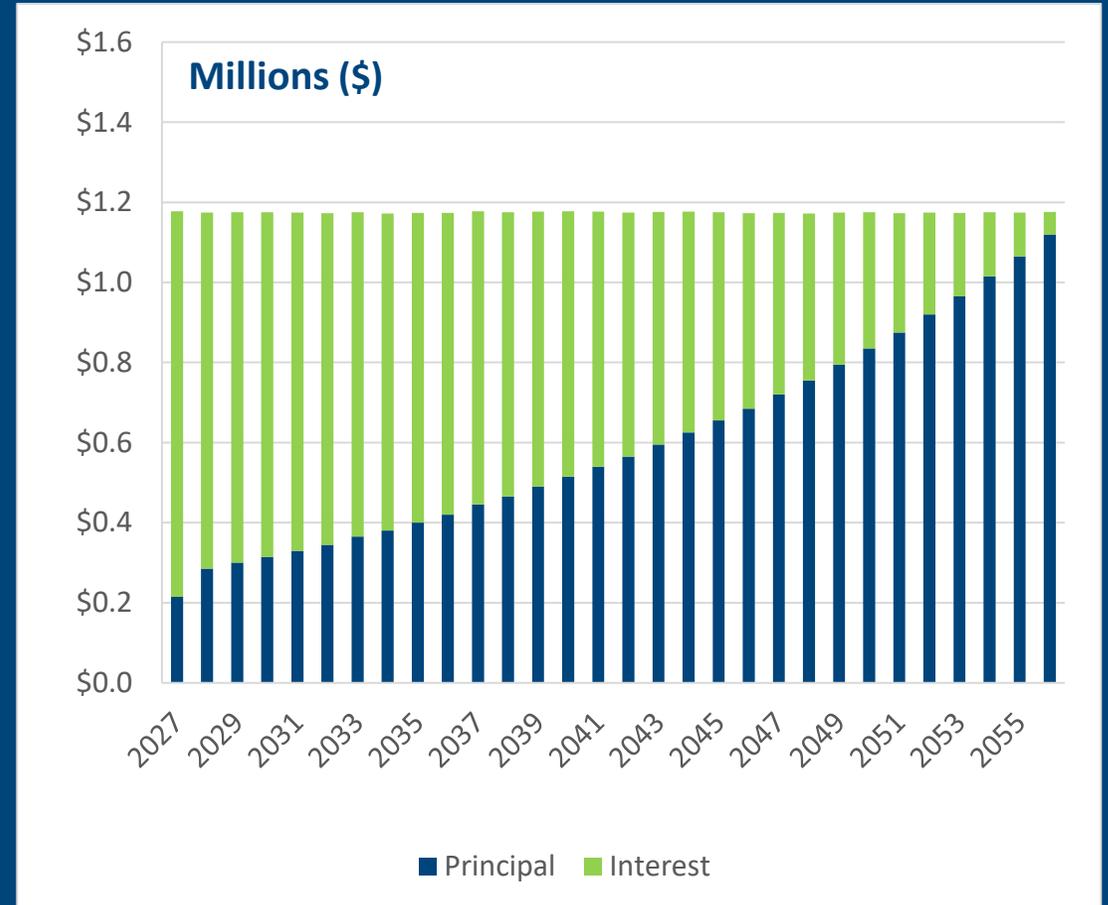
Proposed Debt Service on \$37M New Bonds



Proposed New Water Bonds - \$18M

- Projected interest cost: \$17M
- Fully mature March 2056
- FY26 year-end debt service: \$318M
 - Bonds \$218M
 - Interest \$100M
- \$165M of total debt service paid over next 10 years (\$98M bonds)

Proposed Debt Service on \$18M New Bonds



Estimated Professional Fees for Bonds

Cost	Professional Firm	\$ Amount
Financial Advisor	Cumberland Securities	\$ 81,000
Bond Counsel	Bass Berry & Sims	\$ 62,000
Rating Agency	Moody's Investors Service	\$ 75,000
Rating Agency	Standard & Poor's	\$ 70,000
Paying Agent	Regions Bank	\$ 1,000
		\$289,000
Other Costs (POS, Advertising, etc.)		\$ 27,000
		\$316,000

FY26 Commitment Appropriations

- Authorizes commitment of expenditures subsequent to June 30, 2026, for commitments entered into on or before June 30, 2026
- FY26 total: \$181.7M
 - Electric \$64.1M
 - Natural Gas \$14.1M
 - Water \$48.4M
 - Wastewater \$49.9M
 - Fiber \$5.2M

Projects Supporting Need for Commitment Appropriations

- Electric transmission line improvements
- Electric substation improvements
- MBW Water Supply Master Plan projects
- Gas distribution steel main replacement
- Wastewater system main replacement
- Utility relocations for highway improvements
- Vehicles and equipment
- Information technology

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UTILITIES BOARD

Resolution 1505

- Increases FY25 electric budget appropriations by \$22M
- Appropriations expire June 30, 2025

Resolution 1506

- Requests City Council authorization of new bonds
 - Electric up to \$37M
 - Water up to \$18M
- In compliance with KUB Debt Management Policy
- Board adopts all provisions of City Council bond resolutions

Resolution 1507

- Adopts FY26 budget appropriations
 - Electric \$813.3M
 - Natural Gas \$169.0M
 - Water \$112.7M
 - Wastewater \$133.1M
 - Fiber \$ 36.6M

Resolution 1508

- Adopts FY26 commitment appropriations
 - Electric \$64.1M
 - Natural Gas \$14.1M
 - Water \$48.4M
 - Wastewater \$49.9M
 - Fiber \$ 5.2M



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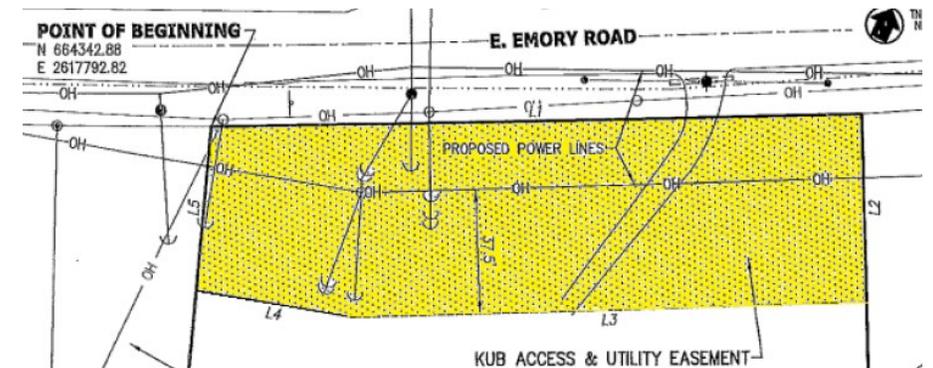
Request for Condemnation Authority

Resolution 1509



Easement Acquisition Process

- Identify property owner(s)
- Engage in negotiations with property owner(s)
 - Explain work and impact
 - Understand current and future property uses
- Revise design to accommodate property uses
- Compensate property owner(s) for easements



Easement Acquisition Process

- If no agreement is reached
 - Complete a third-party title search
 - Obtain a third-party appraisal
- Continue negotiations with property owner(s) using current appraisal information
- Request condemnation authority from the KUB Board
- Continue negotiations
- Initiate legal proceedings to obtain an "Order of Possession"

AG Transmission Line Relocation – Electric Upgrades

- 2.5-mile 69kV relocation project
- Connects North Knox and Dry Gap Substations
- Project drivers:
 - North Knox Substation Upgrades FY27- FY28
 - Floodplain issues on existing alignment
 - Century II Transmission Replacement Program
 - TDOT Emory Road Interchange Project
 - No lane closures allowed after October



Easement Acquisition

- Approximately 80 easements needed on the project
- KUB has been working to acquire easements since 2021
- Final three easements located along East Emory Road
- This includes easements at 508, 592, and 1105 East Emory Road

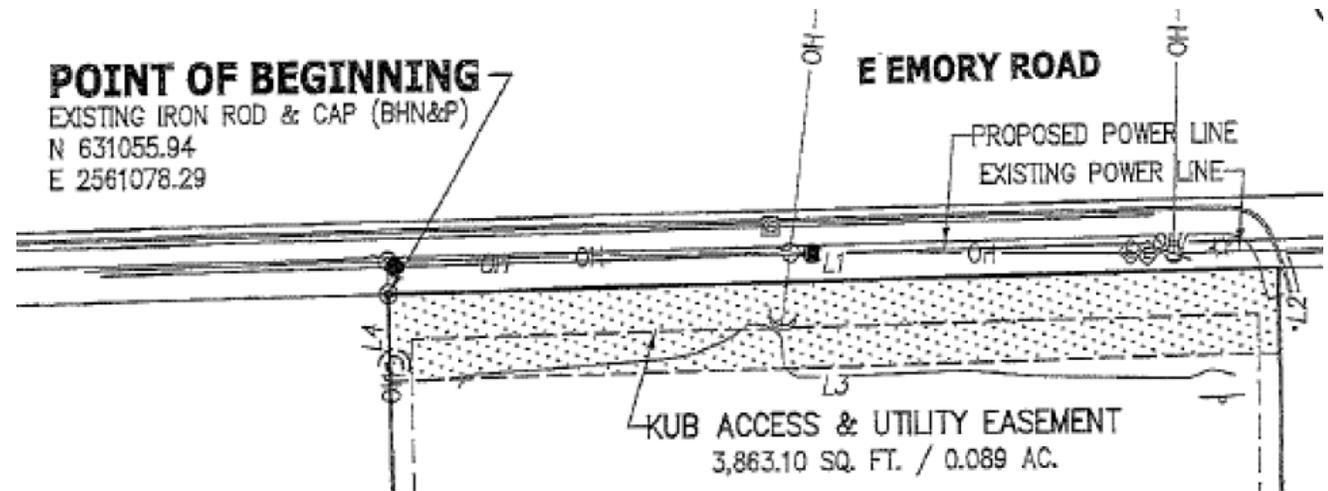


Easement Example



Edge of Easement (18' behind Right-of-Way)

Edge of Right-of-Way



Summary

- Final three easements needed to start work
- Critical to get in front of TDOT's work which starts in October
- KUB has actively been working to acquire these easements for nearly four years
- Requesting condemnation authority from the KUB Board for final three easements
- Continue negotiations
- Initiate legal proceedings to obtain an "Order of Possession"



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FY26 Financial & Organizational Metrics



FY26 Metrics

- Audit and Finance Committee:
 - Reviews and measures financial and organizational performance
 - Annually reviews proposed metrics
 - Establishes metrics for the upcoming year
- FY26 Metrics established May 1 – Resolution AF-98

FY26 Financial Metrics

Metric	Target
O&M	Budget or Less
Cash Generated from Operations	Budget or Greater
Debt Service Coverage	Financial Plan Target or Greater

FY26 Organizational Metrics

- Safety
- Electric reliability
- Century II infrastructure replacement
- Call Center service level performance
- Fiber service

Safety Performance

FY	Serious, Preventable Injuries	Goal
2022	2	1
2023	0	1
2024	0	0
2025	0*	0
2026	0	0

* Through March

Electric Reliability

FY	Avg Hours without Power	Target Goal Duration (Hours)	Avg Occurrence without Power	Target Goal Frequency (Events)
2021	1.83	2.10	1.24	1.50
2022	1.89	2.05	1.45	1.45
2023	1.93	2.00	1.33	1.45
2024	2.00	2.00	1.58	1.45
2025	1.26*	1.95	0.83*	1.40
2026		1.85		1.40

* Through March

Century II Replacements

System	Asset	Proposed Plan
Electric	Underground Cable	5 Miles
Electric	Transmission Lines	8 Miles
Natural Gas	Low-Pressure Steel Main Replacement	4 Miles
Water	Main Replacement	9.3 Miles
Wastewater	Main Replacement	11.2 Miles

Call Center Service Level Performance

Answer 85% of calls in 60 seconds



Fiber Service

Construct 700 miles of fiber infrastructure
Add 10,560 residential customers





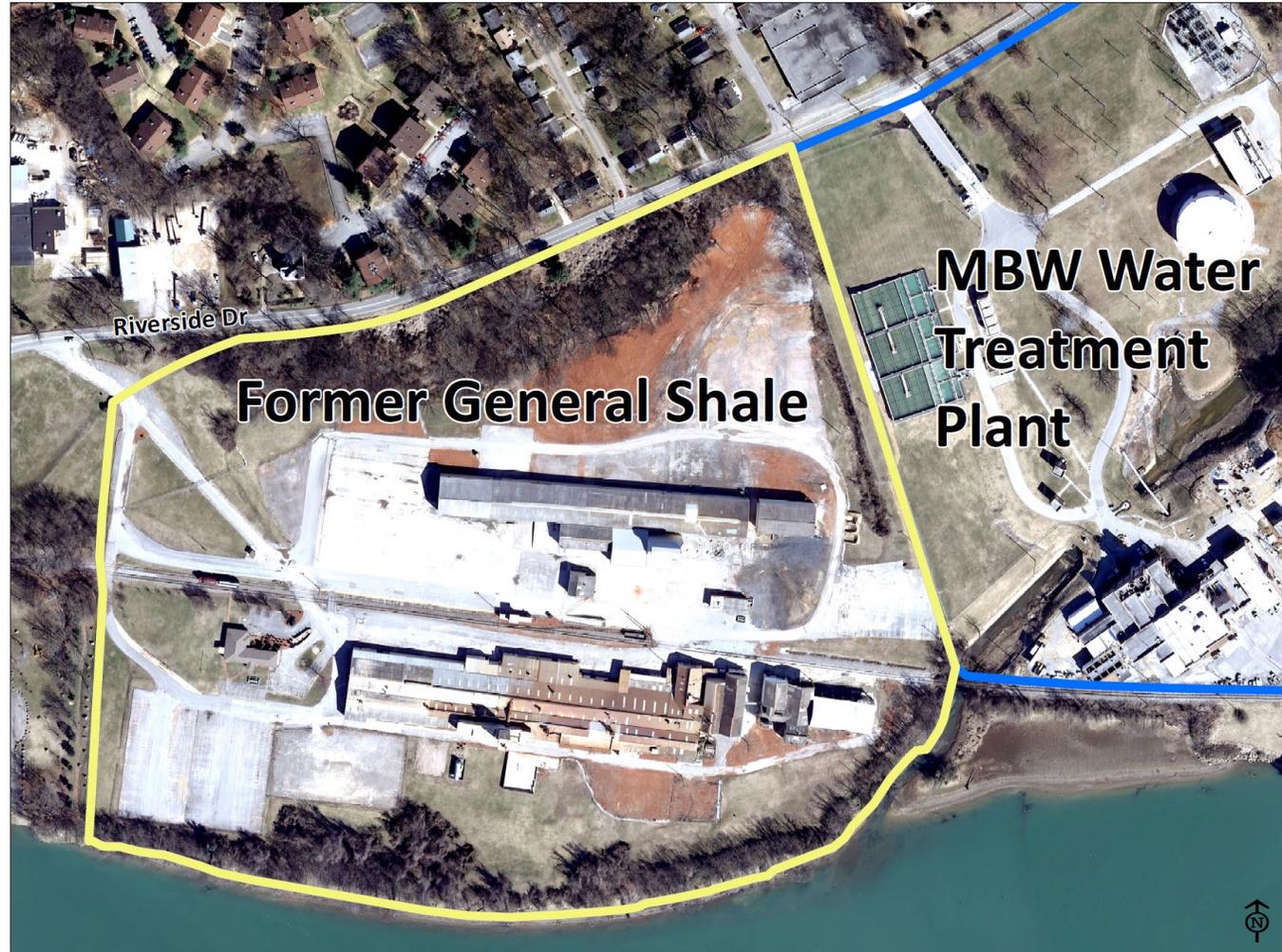
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General Shale Site Update



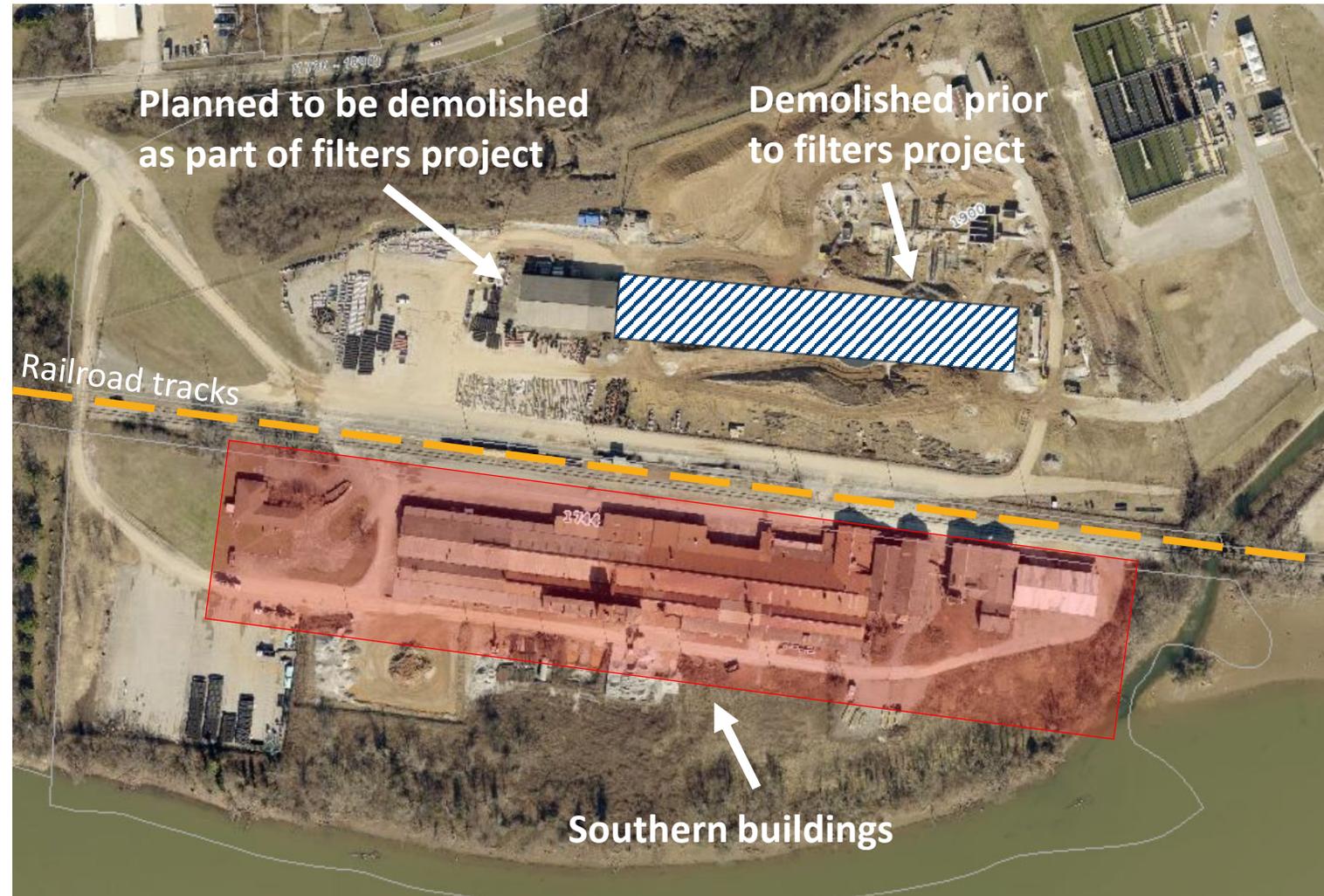
Former General Shale Property

- Acquired by KUB in 2009
- Adjacent to MBW
- Adds about 40 acres to the existing 30 at MBW
- Historically used for brick manufacturing
- Property contains 156,000 square feet of unused facilities



Staging of Building Demolition

- Northern buildings
 - Portion demolished prior to start of filters project
 - Remainder will be completed as filters project wraps up
- Southern buildings
 - Will be demolished as filters project wraps up



Former General Shale Property



Southern Buildings



Demolition South of Railroad Tracks

- Remove buildings down to subgrade - \$1.9M
- Foundations will be removed and building footprints will be overlaid with gravel
- Currently working with City of Knoxville on permitting
- Once permitting is complete, demolition will start and take approximately 14 weeks

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