



**Community Advisory Panel
Meeting Minutes for February 1, 2024**

Members attending the meeting:

Cheryl Ball, Christina Boulter, Isaac Collins, Ty Hall, Barbara Kelly, Claudia Mata, Amy Midis, Amy Nolan, John Nolt, Stephen Smith, Yassin Terou, Janet Testerman

Others in attendance:

Facilitator: Dawn Ford

KUB Staff: Gabe Bolas, Mark Walker, Susan Edwards, Jamie Davis, John Williams, John Gresham, Tiffany Martin, Erin Gill

KUB Commissioners: Adrienne Simpson-Brown, Kathy Hamilton, Celeste Herbert

New Business

The Community Advisory Panel met at 3:00 p.m. on Thursday, February 1st, 2024 at KUB's Hoskins Operations Center (4505 Middlebrook Pike).

Dawn Ford began the meeting by welcoming new and returning members to the Community Advisory Panel. She discussed her role as a facilitator for the panel. As this was the first meeting with new and returning members together, the panelists introduced themselves and gave a brief description of why they are interested in serving on the panel.

Ms. Ford also recognized the members of KUB's staff that were in attendance. She then recognized KUB Board of Commissioners Chair Adrienne Simpson-Brown to give remarks.

Chair Simpson-Brown began by thanking all the members for agreeing to serve on the panel. She emphasized that all input from them is incorporated into the Board's decision-making process and ensures they are aware of community and stakeholder perspectives. She pointed out other Commissioners that were in attendance and that the panel would likely see them at their meetings throughout the year. Chair Simpson-Brown reminded the panel to take what they learn from these meetings back to their communities to help grow the understanding of the issues KUB and other utilities face. She then recognized Gabe Bolas, KUB President and CEO, to give his remarks.

Mr. Bolas welcomed and thanked everyone for serving on the panel. He reiterated how vital their input is to the decisions of the Board and KUB. He discussed the KUB Blueprint's values and how they will be used in the panel's discussions. He also discussed the panel's

diverse viewpoints and how important they are to represent the communities KUB serves. He thanked the group again for their service and looks forward to working with them.

Ms. Ford then gave an overview of the purpose of the Community Advisory Panel. She described how the panel is made up of diverse viewpoints, experiences, and expertise and how their input is shared with the KUB Board. The panel is also expected to assist in communicating what is discussed in their meetings with the communities and organizations they represent to help grow understanding of the issues presented. Ms. Ford also mentioned that all members were given a Structure & Ground Rules document which provides the guidelines for the panel's meetings. Ms. Ford also informed the panel that the public may address the panel at the end of the meeting and that all meetings are recorded and available on KUB's website.

Ms. Ford then discussed the meeting's topic of KUB's Inflation Response Plan. Like many organizations, KUB is experiencing a challenging period due to rising costs from inflation. Mark Walker, Senior Vice President & Chief Financial Officer for KUB, and John Williams, Senior Vice President & Chief Infrastructure & Compliance Officer for KUB, were introduced to give an overview of the Inflation Response Plan and the impacts of inflation on KUB.

John Williams began by saying this presentation shows the highlights of a longer presentation given to the Board which is available on KUB's website. Due to the delay in orientation for new panel members, Mr. Williams gave a brief overview of the organization for the panel. Mr. Williams began by showing the systems, the customers served, and the average costs to a customer. He then moved on to describe Century II, a comprehensive utility asset and infrastructure lifecycle management program. Century II works to balance safety, reliability, sustainability, and affordability with needed upgrades and replacements to KUB's infrastructure. He said work has slowed on the project in part due to the changes with inflation, deferred rate increases, and supply chain challenges. He discussed the need for the Inflation Response Plan, a comprehensive evaluation of all programs as KUB faces uncertainties and organizational challenges from inflation.

Mr. Williams continued by discussing the KUB's electric system and the inflationary impacts on some materials used for the system. He then discussed the Century II needs for the system. One need mentioned is to maintain and replace aging substation transformers. Other recommendations for infrastructure upgrades were discussed including transmission lines, poles, and grid modernization.

Mr. Williams then discussed the natural gas system by showing the inflationary impacts on materials for the system. He then discussed the Century II needs for the system including new meters, enhanced leak detection, and continued gate station improvements.

Mr. Williams continued by discussing the water system and the inflationary impacts on chemical costs and materials. For Century II, he discussed the long-range strategy of the Water System Master Plan. KUB has identified a need to increase the rate of pipe replacement with the Inflation Response Plan.

Mr. Williams then discussed the wastewater system and the inflationary impacts on pump stations and materials for the system. The Century II plan for wastewater includes facility upgrades at the Kuwahee Wastewater Treatment Plant.

After going through the systems, Mr. Williams showed the full total of inflationary impacts and Century II work as \$460 million through FY30. He then opened the floor for questions.

Amy Midis asked how the cost was determined for inflationary impacts in the future. Mr. Williams said continued, moderated inflation was calculated in the Inflation Response Plan, but funding would be short if inflation grows at a higher rate.

Dr. Stephen Smith discussed that data is showing that inflation is slowing. He asked if KUB was seeing inflation slow. Mr. Williams said they have seen inflation moderating and stabilizing with the prices of goods and supply chain improving for some materials. He said there are still some instances where items are impacted by supply chain issues.

Mark Walker started his presentation by giving a financial overview of KUB. He described how KUB is not-for-profit with a FY24 budget of \$1.2 billion. 50% of KUB's budget is used to purchase wholesale energy. The budget is largely funded through system revenues from customer rates. Long-term bonds fund a portion of the annual capital budget. KUB currently has \$1.1 billion in outstanding bonds rated AA or higher. He then broke down the budget across the five utility systems and the major cost components.

Mr. Walker continued by discussing the long-term financial strategy and funding sources for KUB. KUB's funding sources come from debt, rates, customer growth, and cost savings/grants. He focused on the history of KUB's use of debt and how debt levels have risen to support investments in infrastructure. Dr. Smith asked what the thresholds were for maximum debt for each system. Mr. Walker answered that each system has a different amount for maximum debt by 2030: \$500 million for electric, \$235 million for water, \$50 million for gas, and \$425 million for wastewater. Next, Mr. Walker showed comparisons of KUB's rates to other providers to show that the residential rates are competitive for all systems.

Mr. Walker then gave a financial summary of the Inflation Response Plan. Inflation has had a significant impact on KUB's systems. Century II continues to be a priority to provide reliable, affordable, and safe service. Debt capacity for the organization is limited. To fund these changes, rate increases are needed. He then showed a proposed funding approach given to the Board illustrating the funding needed for each system and how it would be funded via bonds, grants, updated revenues, and adjusted rate increases. Dr. Smith questioned the updated revenues listed for natural gas. Mr. Walker and Mr. Bolas answered that the funding comes from future growth projections. Mr. Walker then presented the potential rate actions for electric and natural gas with the projected monthly bill impacts. Dr. Smith asked why the rate increase was higher for the first year in electric. Mr. Walker answered that this increase was required based on the models run by KUB to offset inflation costs. Yassin Terou asked what other utility companies are doing and if they

are seeing increases. Mr. Walker answered that KUB's peers have been issuing rate increases due to inflation.

Barbara Kelly said if this is happening nationwide, she would hope that assistance programs would become more available on a national level. Mr. Walker talked about the annual funding KUB receives for customer bill assistance and grants that KUB actively searches for.

Dr. Smith asked if TVA has given any indication on base rate increases in the future. Mr. Walker confirmed that an increase has been indicated from TVA for October 2024.

Janet Testerman asked about rate increases presented for the implementation for KUB Fiber and if they are included with this plan. Mr. Walker answered that those rate increases do not cover the new needs due to inflation.

Mr. Walker continued his presentation by showing the timeline of the Inflation Response Plan and the next steps for the Board. He then asked for questions.

Amy Nolan asked about the increase in costs for staffing and doing business in general. She asked if that was included with the rate increases. Mr. Bolas and Mr. Walker said they are included in the proposed rate increases.

Mr. Terou asked if all options were exhausted before rate increases were proposed. Mr. Walker said that many changes starting in the 1990s consolidated operations to realize cost efficiencies. Mr. Walker said there is just no way for KUB to save its way out of the cost increases. Mr. Terou brought up Chattanooga's internet and how it changed the city. He hoped KUB can bring changes like that to Knoxville.

Dr. Smith requested confirmation that the proposed rate increases were not going to the basic service charge. Mr. Walker said they do not apply to this charge. Dr. Smith agreed with KUB's decision and understood it was a difficult decision to come to. He mentioned how important this makes efficiency programs.

Isaac Collins asked for clarification regarding when rate increases would begin for his community. Mr. Walker answered this would be April 2025. Mr. Collins also asked if this was applied to both residential and commercial customers. Mr. Walker answered the slides referenced residential customers, but commercial customers would see a similar change.

Amy Midis wanted to thank KUB for the service reliability over the winter storms. Mr. Williams thanked her on behalf of the employees and recognized the hard work everyone at KUB does for the customers.

Ms. Ford thanked everyone for their questions. She announced the next meeting on April 4th will have TVA in attendance to present their efficiency and energy saving programs.

Dr. Smith asked if there would be an opportunity for the panel to direct some of the agenda for future meetings. Ms. Ford said this would be discussed with the new members and anyone interested in providing discussion items can do so for future meetings.

Ty Hall thanked the KUB team for their efforts over the winter storm. He asked if this plan was for sustainability and upgrading or if growth was part of the plan as well. Mr. Williams said Century II is an upgrade program for the existing infrastructure. Mr. Bolas added capacity is usually increased When new growth occurs, and as new equipment is installed to replace older, less efficient equipment.

Ms. Ford asked if there were any further questions for the group. Seeing none, the meeting was adjourned at 4:45 p.m.