

Proposed FY24 Budget Amendment

- Initial budgets approved by Board in May 2023
- Wastewater O&M and capital ~ \$3M over budget
- Driven primarily by timing
- Additional appropriations needed for Wastewater
- Discussed with Audit and Finance Committee

	Wastewater
FY24 Budget	\$132.4M
Additional Appropriations	\$ 3.0M
FY24 Budget - Amended	\$135.4M

Proposed FY25 Budget Continues Fiber Deployment & Century II Funding

- Proposed budget \$1.2B
- Up \$66M – reflecting inflation and higher level of capital investment
- Capital budget \$297M
 - \$148M for Century II
 - \$90M for fiber network and services
- \$111M of new bonds help fund capital budget

FY25 Key Programs & Projects

Program/Project	FY25 Appropriations
Fiber-to-the-Home	\$90.3M
MBW Water Filter Project	\$29.1M
Vegetation Management	\$16.2M
Electric Transmission Line Upgrades	\$13.1M
Vehicles and Equipment	\$13.1M
Walker Springs Pump Station and Forcemain	\$ 5.9M
IT Enterprise System Upgrades	\$ 5.8M

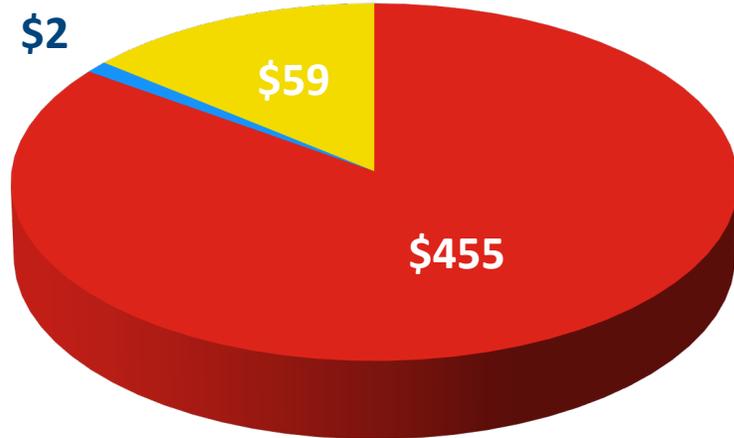
Proposed FY25 Budget: \$1.2 Billion

	Electric	Gas	Water	Wastewater	Fiber	Total
Energy Cost	\$455.4	\$ 59.0	\$ ---	\$ ---	\$ 2.0*	\$ 516.4
O&M	\$ 97.6	\$ 29.3	\$ 40.0	\$ 47.1	\$20.2	\$ 234.2
Capital	\$168.4	\$ 28.3	\$ 58.3	\$ 40.3	\$ 1.9	\$ 297.2
Debt Service	\$ 36.3	\$ 9.3	\$ 15.9	\$ 32.7	\$ 3.9	\$ 98.1
Taxes and Equivalents	\$ 24.7	\$ 9.0	\$ 5.4	\$ 7.2	\$ 0.4	\$ 46.7
Loan to Fiber	\$ 11.0					\$ 11.0
\$ in Millions	\$793.4	\$134.9	\$119.6	\$127.3	\$28.4	\$1,203.6

* Fiber Cost of Goods Sold

Wholesale Energy Budget Driven by Customer Demand

FY25 Wholesale Energy / COGS = \$516M

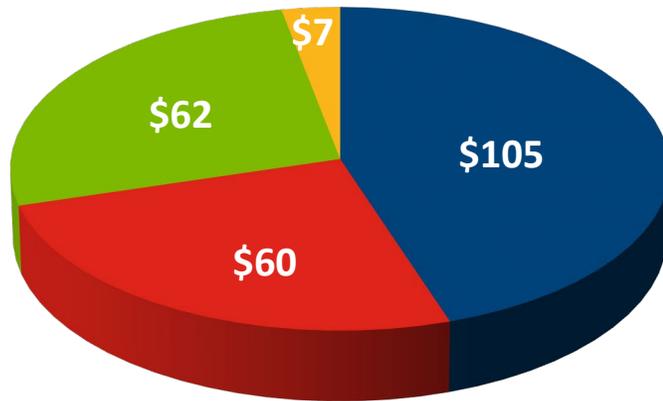


- Electric power = 85%
- Fiber COGS = 1%
- Natural gas = 14%

- Electric power
 - 6.0 billion kWh
 - 218,000 electric customers
- Natural gas
 - 10.9 million dekatherms
 - 110,000 natural gas customers
- Fiber Cost of Goods Sold (COGS)
 - \$0.2 million telephone costs
 - \$1.8 million television costs

O&M Budget Supports Systems Reliability

FY25 O&M = \$234M

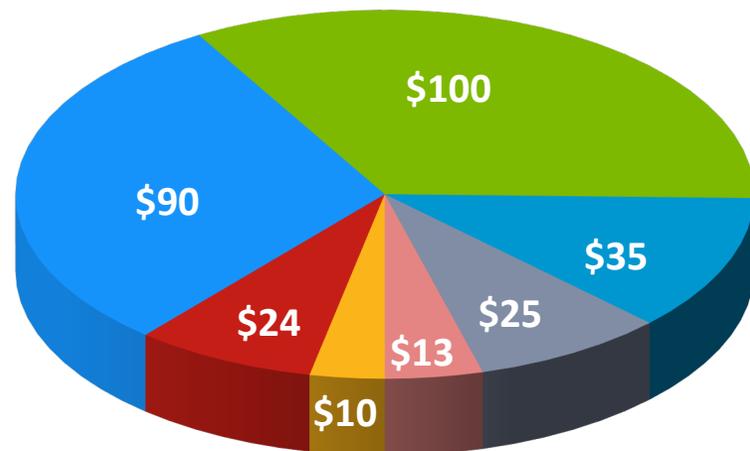


- Labor-related = 45%
- Outside services = 25%
- Materials/other = 27%
- Fiber Fees to EL = 3%

- Labor-related costs
 - Payroll \$81M
 - Benefits and training \$15M
 - Post-employment benefits \$9M
- Outside services
 - Vegetation management \$16M
 - Electric line contractors \$3M
- Materials/other costs
 - Utilities \$12M
 - Stock materials \$10M
 - Chemicals \$5M
- Fiber fees
 - Access fee \$3.6M
 - Utilization fee \$3.6M

Capital Budget Funds Century II, Fiber Deployment, & Plant Projects

FY25 Capital = \$297M

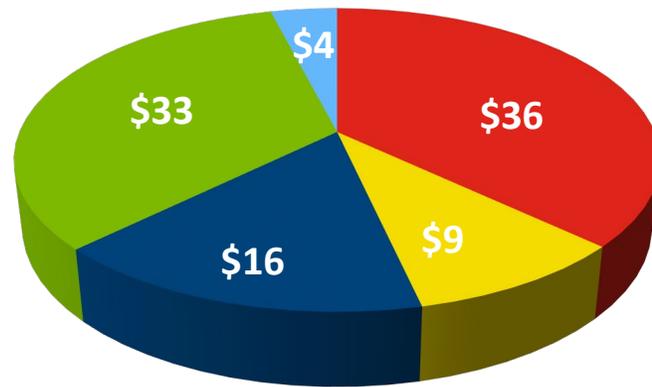


- Information technology = 3%
- Facilities/equipment = 8%
- System infrastructure = 89%
- Fiber network/services = 30%
- System improve/replace = 34%
- Plant improvements = 12%
- Growth = 9%
- Relocations = 4%

- Distribution system improvements \$100M
 - Wastewater main replacements \$16M
 - Water main replacements \$14M
 - Electric transmission line improvements \$13M
 - Utility relocation projects \$13M
 - Electric substation upgrades \$10M
 - Electric distribution line improvements \$7M
 - Pole replacement \$5M
 - Natural gas steel main replacements \$2M
- Fiber network and services \$90M
- Plant improvements \$36M
 - Water filter project at MBW \$29M
 - Kuwahee Treatment Plant improvements \$4M
 - Fourth Creek Treatment Plant improvements \$1M

Debt Budget Reflects Investments in Infrastructure

FY25 Debt Service = \$98M

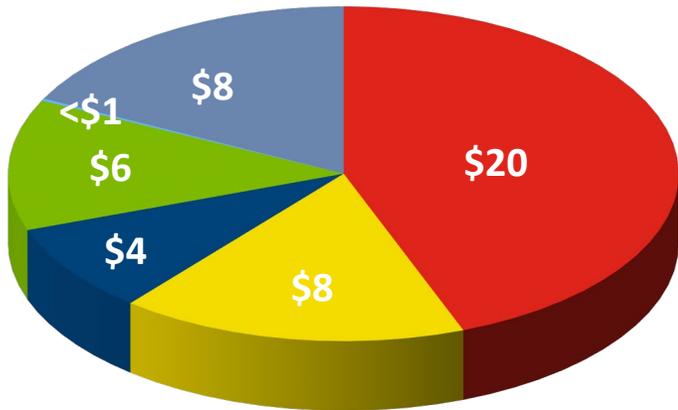


- Electric = 37%
- Natural Gas = 10%
- Water = 16%
- Wastewater = 33%
- Fiber = 4%

- FY25 principal: \$50M
- FY25 interest: \$48M
- New bonds: \$111M
 - Electric: \$91M
 - Water: \$20M
- Outstanding bonds \$1.2B
- Includes \$4M in payments from Fiber to Electric

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

FY25 Taxes and PILOTs = \$46M

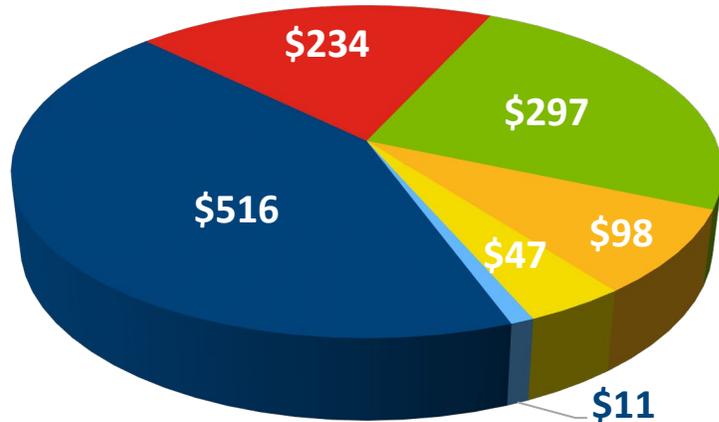


- Electric = 44%
- Natural Gas = 17%
- Water = 8%
- Wastewater = 13%
- Fiber = <1 %
- FICA = 18%

- PILOTs \$38M
 - City \$26M
 - Knox County \$11M
 - Other counties \$1M
- Payroll tax expense \$8M

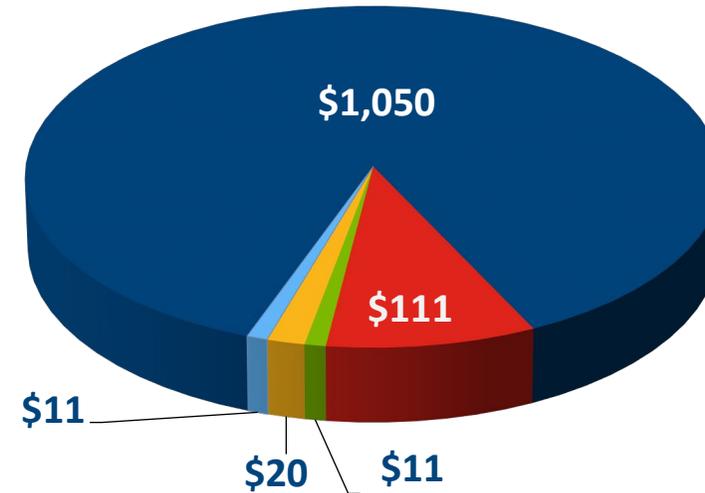
Funding FY25 Budget

Budget = \$1.2B



- Wholesale Energy = 43%
- O&M = 19%
- Capital = 25%
- Debt Service = 8%
- Taxes and Equivalentents = 4%
- Loan to Fiber = <1%

Funding = \$1.2B



- System Revenues = 87%
- Bonds = 9%
- Cash on Hand = 1%
- Grants = 2%
- Loan to Fiber = 1%

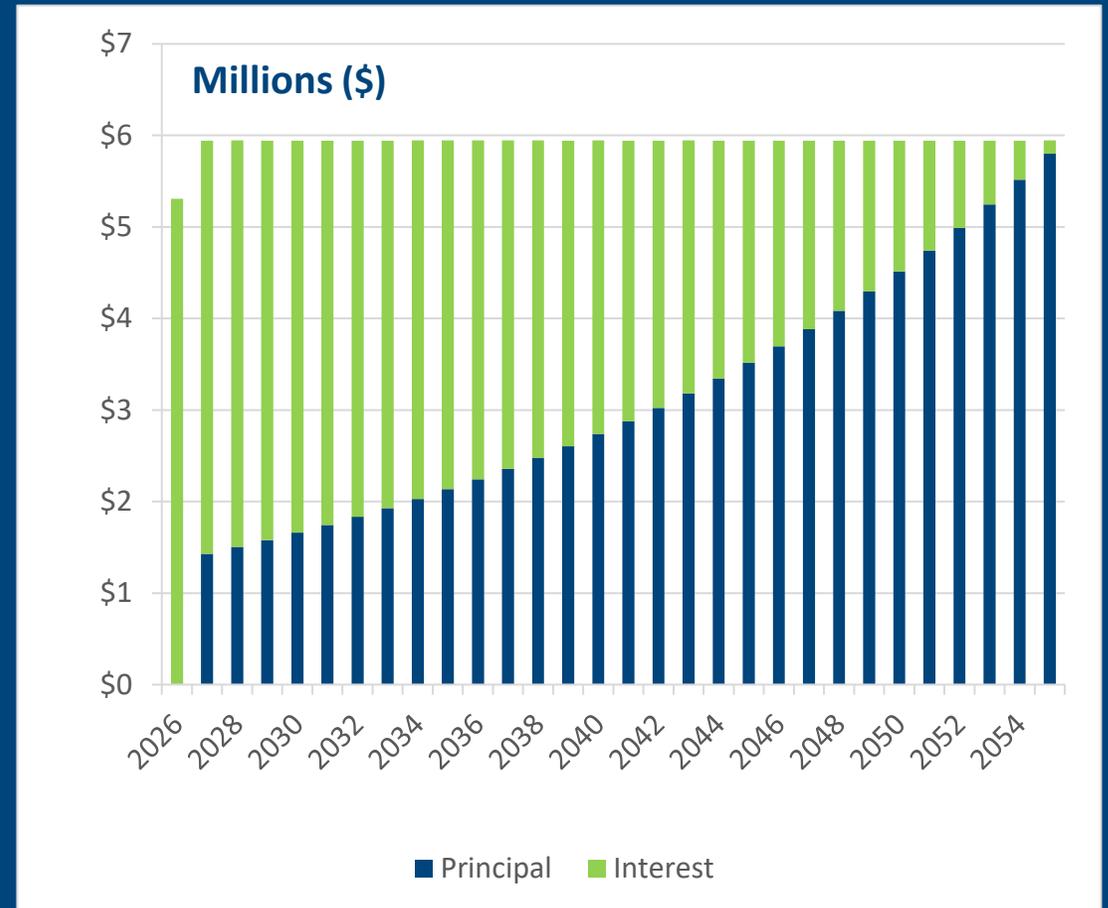
Proposed Sale of \$111M in New Bonds

- Electric \$91M
- Water \$20M
- Bonds will mature over 30 years
- Budgeted interest rate 4.5%
- Bonds callable beginning 2033
- Secured solely by issuing system revenues
- Public competitive sale this summer

Proposed New Electric Bonds - \$91M

- Projected interest cost: \$87M
- Fully mature July 2054
- FY end electric debt service: \$783M
 - Bonds \$483M
 - Interest \$300M
- \$339M of total debt service paid over next 10 years (\$165M bonds)

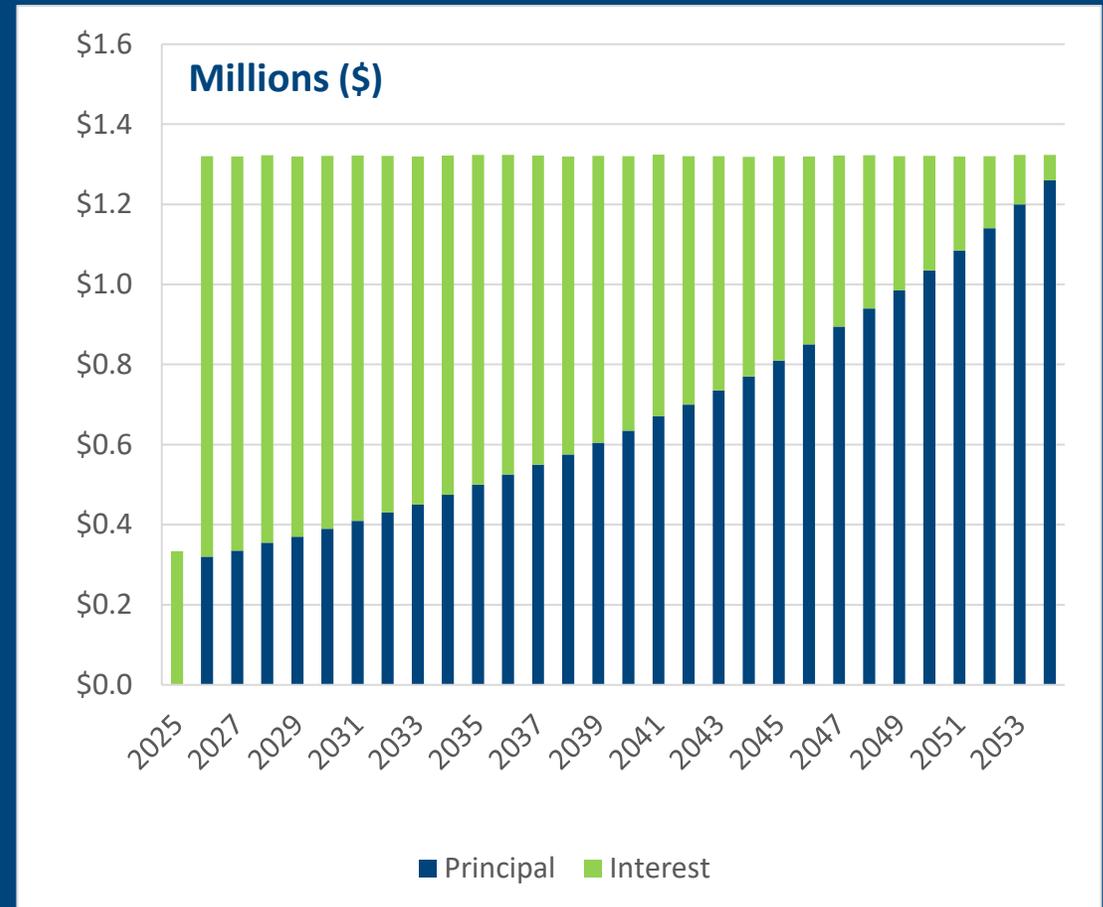
Proposed Debt Service on \$91M New Bonds



Proposed New Water Bonds - \$20M

- Projected interest cost: \$19M
- Fully mature March 2054
- FY end water debt service: \$302M
 - Bonds \$209M
 - Interest \$ 93M
- \$158M of total debt service paid over next 10 years (\$95M bonds)

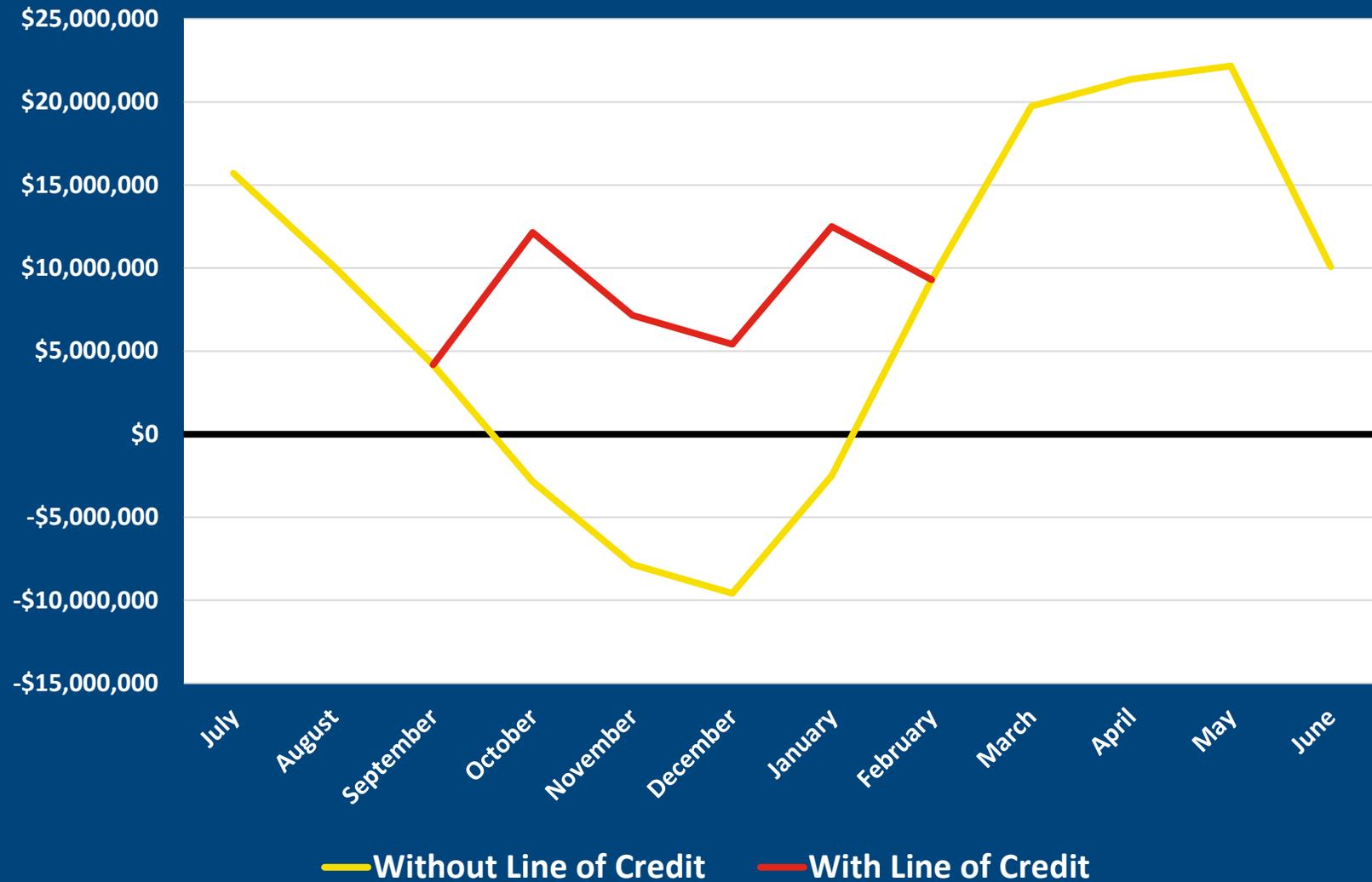
Proposed Debt Service on \$20M New Bonds



Line of Credit Helps Manage Seasonality of Gas Cash Flows

- Up to \$20M of Gas Revenue Anticipation Notes
- One-year maturity
- Funds purchased gas costs
- Competitively bid
- Projected interest rate 5%
- Approval required from State Comptroller

Projected FY25 Gas Cash Flows



Estimated Professional Fees for Bonds & Line of Credit

Cost	Professional Firm	\$ Amount
Financial Advisor	Cumberland Securities	\$ 84,000
Bond Counsel	Bass Berry & Sims	\$ 107,000
Rating Agency	Moody's Investors Service	\$ 98,000
Rating Agency	Standard & Poor's	\$ 81,000
Paying Agent	Regions Bank	\$ 1,000
		\$371,000
Other Costs (POS, Advertising, etc.)		\$ 27,000
		\$398,000

Rate Funding Recommendation

- Three years of annual rate increases for electric, gas, water, and wastewater
- Increases applied solely to usage rates for residential customers
- No increases to residential basic service charges
- Impacts to business customers will vary based on rate classification and monthly usage

Rate Increases and Residential Bill Impacts

Rate Increases				
	FY25	FY26	FY27	FY28
Electric	4%	3%	2%	
Natural Gas	3%	3%	3%	
Water		6%	6%	6%
Wastewater		2%	2%	2%

Monthly Bill Impacts				
	FY25	FY26	FY27	FY28
Electric	\$5.00	\$3.85	\$2.70	
Natural Gas	\$1.90	\$1.95	\$2.00	
Water		\$2.00	\$2.15	\$2.30
Wastewater		\$1.45	\$1.50	\$1.55

FY25 Commitment Appropriations

- Authorizes commitment of expenditures subsequent to June 30, 2025, for commitments entered into on or before June 30, 2025
- FY25 total: \$145.6M
 - Electric \$61.1M
 - Natural Gas \$13.8M
 - Water \$27.5M
 - Wastewater \$38.5M
 - Fiber \$4.7M

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
- Information technology