



December 19, 2024

Audit Firm Selection

Resolution 1499



Auditor Selection Process

- Issued RFQ (Request for Qualifications) for financial, retirement systems, and Project Help audits
- Received eight responses from audit firms
- Internal team evaluated responses
- Evaluations discussed with Audit & Finance Committee
- Committee requested pricing for five firms
- Committee interviewed two firms
- Committee recommendation to the Board

Audit Firm Recommendation

- Committee recommends Mauldin & Jenkins
- Beginning with audits performed in 2025
- Three-year initial term with renewal options
- Three-year pricing averages \$168K annually

Mauldin & Jenkins

- Top 100 accounting firm
- 14 offices in six southeastern states
- Served over 725 governmental clients
- Key municipal utility clients
 - Electric Power Board of Chattanooga (EPB)
 - Huntsville Utilities (AL)
 - Bristol (TN) Essential Services
- KUB audit staffed out of Chattanooga office

Resolution 1499

Requests City Council approval of Mauldin & Jenkins for audits beginning in 2025

Authorizes President and CEO to execute agreement with Mauldin & Jenkins



December 19, 2024

Payments In Lieu of Taxes

Resolution 1500



Fiscal Year 2025 Payments In Lieu of Taxes (PILOTs)

- FY25 payments = \$31,956,678
- Decrease of \$3,362,322
- Reflects a decrease in tax equalization rates combined with increases in net plant values and operating margins
- \$6.4M under budget

PILOTs Governance

	Established by	Approved by	Basis	Paid
Water & Wastewater	City Charter	KUB Board	Net Plant Value	February
Electric & Gas	State Law	KUB Board & City Council	Net Plant Value & Average Operating Margin	June
Fiber	State Law	KUB Board & City Council	Net Plant Value	June

FY25 PILOTs Down \$3.4M

	FY25	FY24	Change
Electric	\$17,184,661	\$18,765,814	(\$1,581,153)
Gas	\$6,044,143	\$7,259,131	(\$1,214,988)
Water	\$2,777,013	\$3,629,904	(\$852,891)
Wastewater	\$5,935,511	\$5,652,868	\$282,643
Fiber	\$15,350	\$11,283	\$4,067
Total	\$31,956,678	\$35,319,000	(\$3,362,322)

Payments by Jurisdiction

	FY25	FY24	\$ Change	% Change
City of Knoxville	\$22,496,330	\$24,101,630	(\$1,605,300)	(6.7%)
Knox County	\$8,313,608	\$10,196,324	(\$1,882,716)	(18.5%)
Union County	\$612,424	\$532,507	\$79,917	15.0%
Sevier County	\$253,737	\$237,307	\$16,430	6.9%
Grainger County	\$180,185	\$153,816	\$26,369	17.1%
Jefferson County	\$79,640	\$74,595	\$5,045	6.8%
Blount County	\$9,288	\$9,920	(\$632)	(6.4%)
Anderson County	\$9,957	\$11,629	(\$1,672)	(14.4%)
Loudon County	\$1,509	\$1,272	\$237	18.6%
Total	\$31,956,678	\$35,319,000	(\$3,362,322)	(9.5%)

Resolution 1500

(Electric, Gas, and Fiber PILOTs)

- Requests City Council set electric, gas, and fiber tax equivalent payments for Fiscal Year 2025 and provide for their distribution
- Total payments = \$23,244,154



December 19, 2024

Authorization of Flexibility Power Purchase Agreement – IP Biomass

Resolution 1501

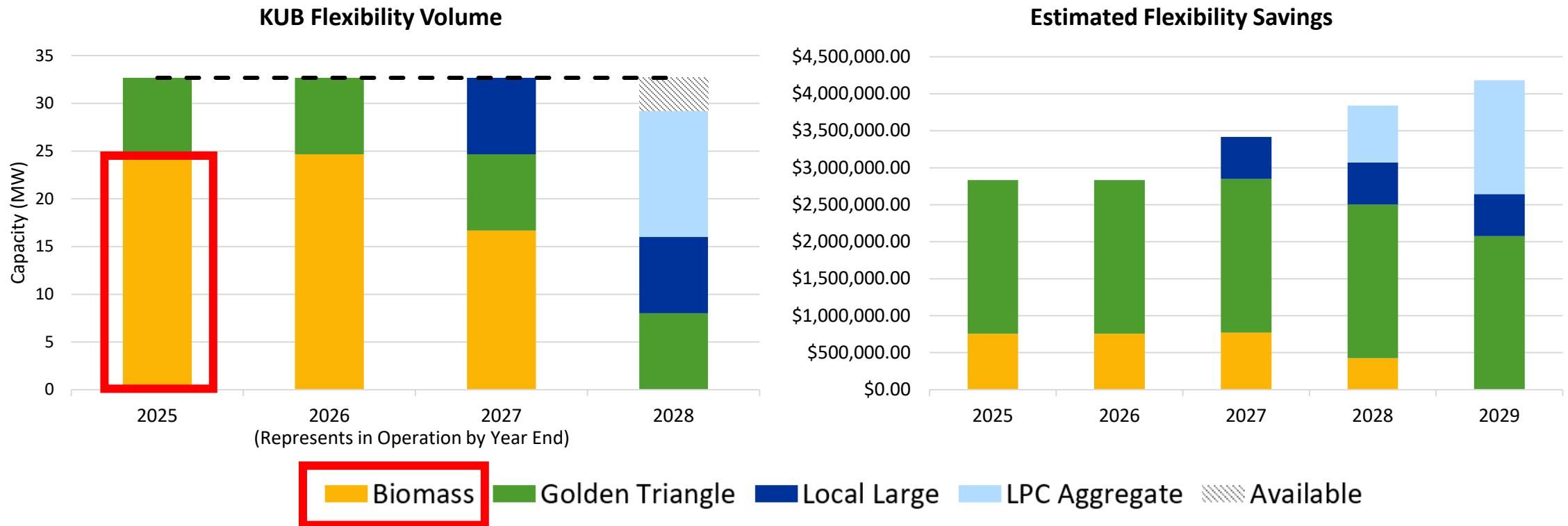


Generation Flexibility Project Preview*

Project	Estimated Capacity	Expected KUB Board Review	Estimated Operation Date
Biomass Project (Three-year short-term)	Non-solar: 32 MW → 16 MW (tiered)	December 2024	December 2024
Green Invest Conversion	Solar: 20 MW	Approved	January 2025
LPC Aggregated Project	Solar: 33 MW	Approved	June 2028
Local Solar Partnership	Solar: ~20 MW	Q1 2025	January 2027
Small Solar Site(s)	Solar: ~4 MW	TBD	TBD

*All projections are preliminary estimates and subject to change pending final agreements.

Generation Flexibility Project Preview*



*All projections are preliminary estimates and subject to change pending final agreements.

Flexibility Power Purchase Agreements

Flexibility projects located outside of KUB's service territory require agreements with both the generator of electricity (i.e., a solar developer) and with TVA.

Power Purchase Agreement (PPA) → Developer sells to KUB

Flexibility Option Power Purchase Agreement (FOPPA) → KUB sells to TVA

The PPA and FOPPA work together to create net savings to KUB, even while KUB is billed by TVA "as usual" for electricity consumed by customers on our local system.

International Paper: Up to 32 MW Biomass

- Designed to “fill the gap” while solar projects are developed
- Electricity is produced from existing facility in Mississippi; feedstock is renewable organic byproduct of industrial processes
- MW capacity scales down as solar comes online: 32 MW → 16 MW in final year
- Price / MWh = 90% of TVA reimbursement
- Net average annual KUB savings = est. \$780,000
- 3.5-year PPA term starts upon PPA execution

Resolution 1501

- Authorizes execution of PPA to purchase produced electricity and renewable energy credits from IP
- Authorizes execution of FOPPA to sell electricity to TVA
- Permits President and CEO to make minor revisions to the PPA and FOPPA in the best interest of KUB and its customers
- Takes effect upon passage by the Board



December 19, 2024

Workforce Development Strategic Initiative Update



Fiscal Year 2025 Strategic Initiative Workforce Development

- Develop a plan to address KUB's long-term workforce needs
 - Identify strategies to **attract** and **retain** talent in an increasingly competitive labor market, including a continued focus on creating a more **inclusive work culture** through tailored DEI education and engagement.
- Leadership development/succession planning
 - Develop a strategy for ensuring that KUB's new and **emerging leaders are equipped** for their roles and that our **leadership bench is strong**.
- Committees formed with management to provide direction and feedback on these efforts

Current Recruiting Efforts

- Various posting sites
- LinkedIn sourcing
- Career fairs and networking events
- Pipeline partnerships
 - UTK Business Analytics, PSTCC Earn and Learn, UTK Engineering

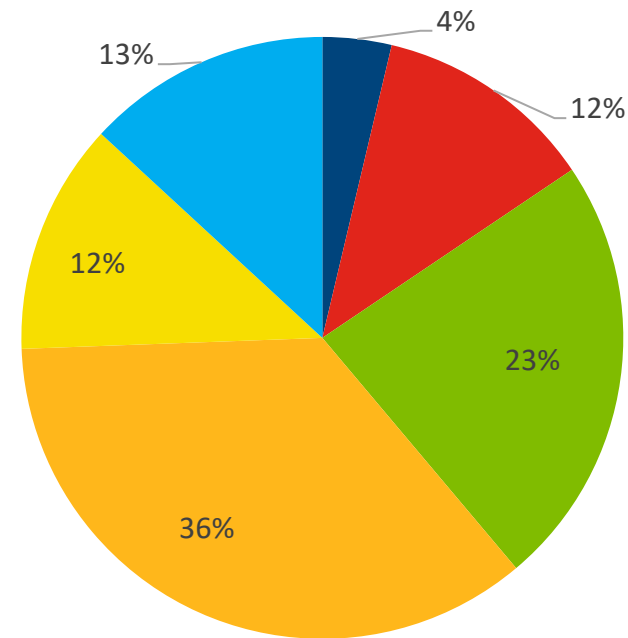


Recruiting Statistics

Recruiting – FY24

Total Applications (FT & Student)	7,259
Job Fair/Recruiting Events	77
Cumulative TTF (Days)	40
Total FT Hires	236
External FT Hires	165
Internal FT Hires (22%)	71

Recruitment Sources



■ Career Fairs ■ EE Referral ■ Indeed ■ KUB Website ■ LinkedIn ■ Other

Current Retention Update

- Turnover rates improved in FY24 from past two years
- Exit interviews provide data insights
 - Salary, career growth top reasons for leaving
 - 84% would recommend KUB
- Ongoing efforts to retain
 - Annual salary and benefit benchmarking, merit increases
 - Employee recognition
 - Onboarding process
 - 90-day surveys – 98% positive

Continued Strategies to Recruit & Retain

- 96% staffing level
- Strong student to FT pipeline
 - 14 in FY24, eight projected in FY25
- 92% acceptance rate of offers
- Internal growth opportunities
- Apprentices programs
 - 18 Lineworker Apprentices
 - Eight Utility Apprentices hired long term upon completion of program



New Strategy Focus Areas to Recruit & Retain

- “Hard to fill” roles
 - Plant Operators, Financial Analysts
- Shift workers and skilled trade retention
- High school partnership potential
- Conduct employee survey in winter 2025 to inform future areas of focus



Committed to an Inclusive Culture

- Continued leadership activities and training
 - Generational Diversity, True Colors, Inclusion and Belonging Leadership Breakfast
- Community cultural experiences
 - Centro Hispano visit planned for spring 2025
- Regular frontline staff engagement
 - Department meetings, field visits, team building activities



Leadership Development Supports Succession Planning

- Return of formal leadership development program
 - Annual succession planning exercise to identify candidates
 - Internal and external education
- Continued development of management
 - Expanded onboarding for new managers
 - Additional structured learning and knowledge transfer opportunities



Next Steps

- Continue work on FY25 deliverables
- Leverage survey information and outcomes of task force efforts to shape FY26 priorities
- Continue involvement in community and industry efforts in workforce development



December 19, 2024

MBW Filters Project Update



Project Overview

- Cornerstone of the Water Supply Master Plan
- Adds six new filters with a 38 MGD treatment capacity
- Largest project in KUB history

Phase	Project
Phase 1	High service main
	Phase 1 electrical upgrades
	Generators
Phase 2	Filters
Phase 3	Phase 2 electrical upgrades
	High service pump station and clearwell
	Raw water distribution
	Source water resiliency

Complete
Construction
Future

Progress to Date

- Construction began in early 2023
- 65% complete
 - \$45M out of \$66M invoiced
 - \$20M out of \$25M ARPA grant funding received
- On track for completion in September 2025



Progress to Date

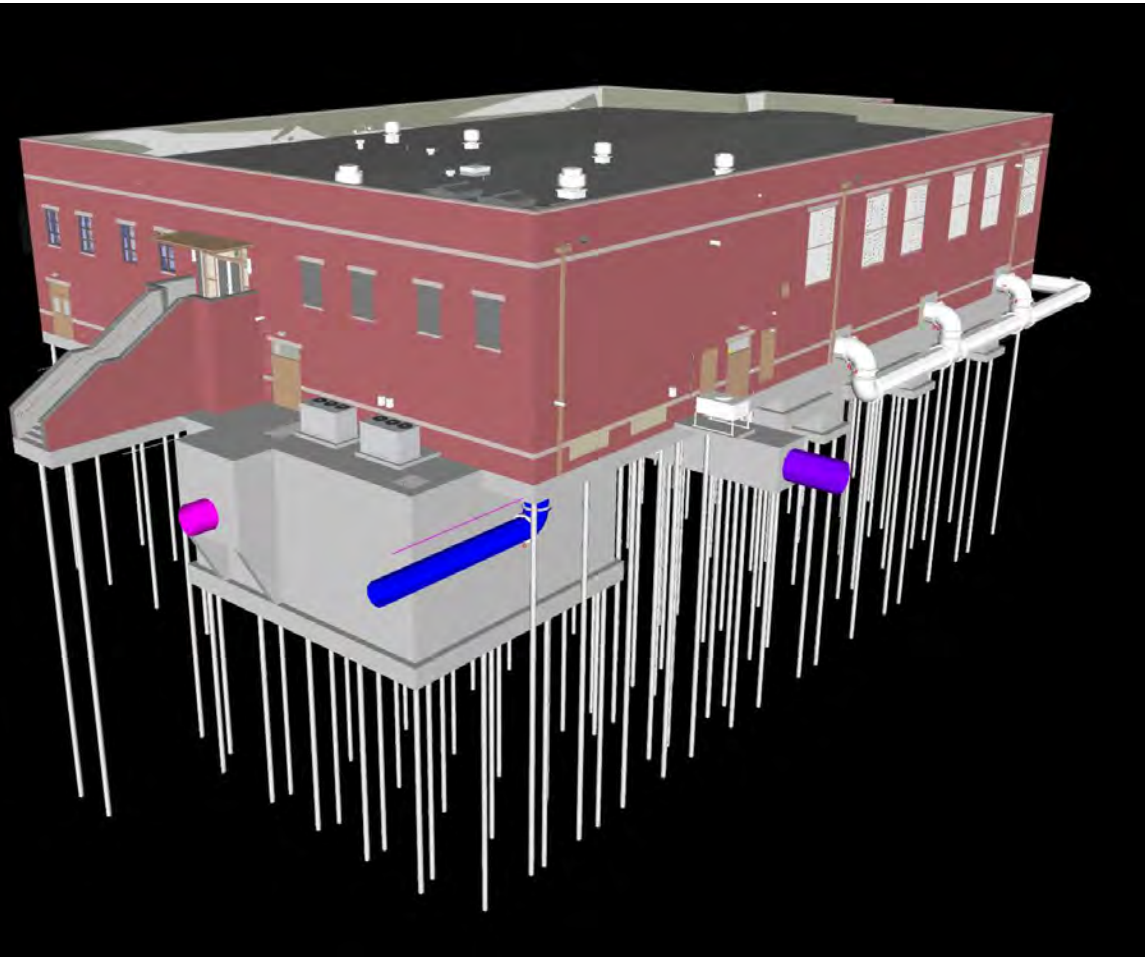


February 2023



November 2024

Foundations



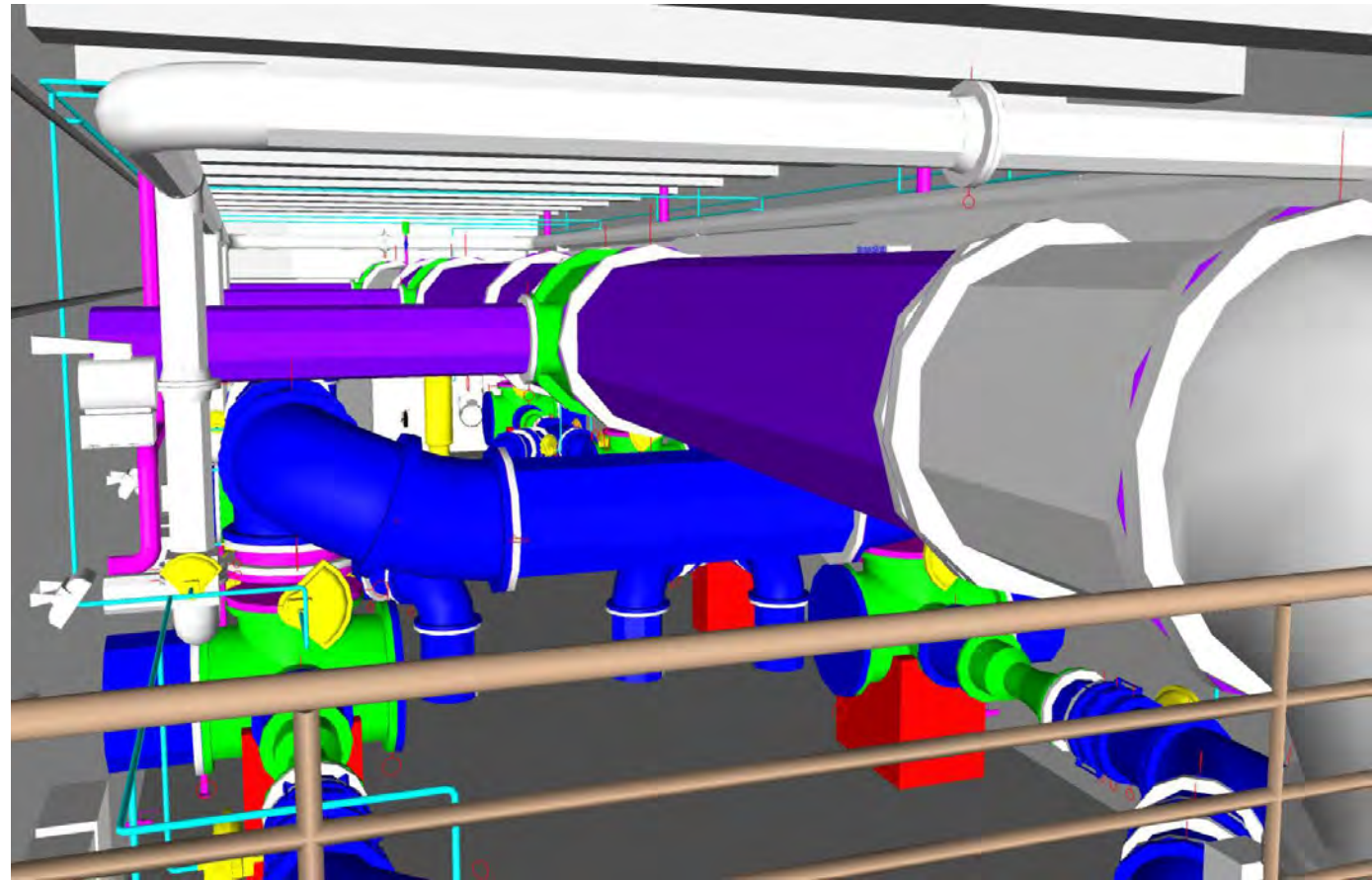
54-inch Pipe Connections



Filters & Pipe Gallery



Filters & Pipe Gallery



Backwash Tank

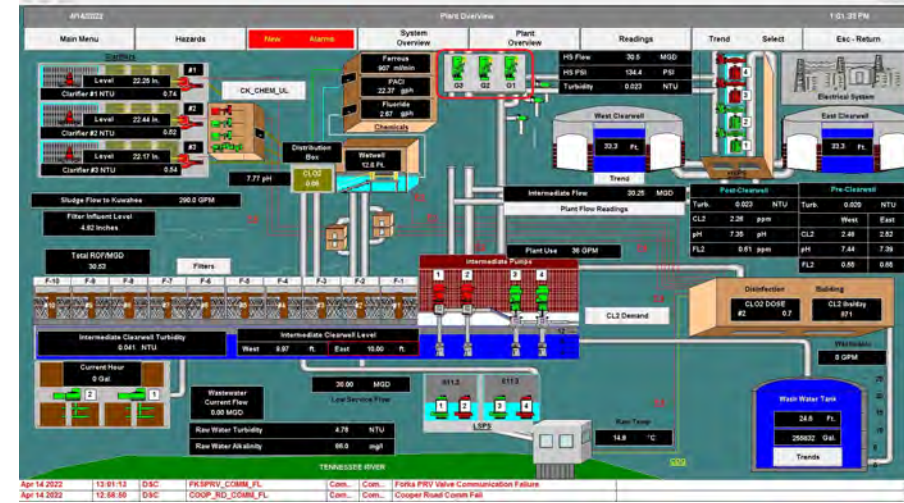


Washwater Tank



Operations

- Senior Operator assigned to building during start-up
- Control room will have 24/7 operations
- New laboratory will allow for analysis and adjustment of processes
- SCADA connection will have the capability of operating and managing the plant and water distribution system



Upcoming Milestones

- Completion of pipe gallery
 - January 2025
- 42-inch intermediate tie-in
 - April 2025
- Structural completion of filter building
 - May 2025
- Filter testing
 - August 2025



KUUB

KNOXVILLE
UTILITIES BOARD