

Purchased Power Adjustment (PPA)

September 20, 2018



Resolution 1383

Second Reading

Resolution 1383

- Amends Purchased Power Adjustment
 - Ensures timely and seamless allocation of hydro credits & charges to KUB electric customers
 - Updates language
- Second and final reading
 - Effective October 1st

KUB

Bond Sale Results

September 20, 2018



\$80M Bonds Sold at Favorable Rates

- Fund utility system capital improvements
- Sold competitively on August 22
- Bonds mature over 30 years
- Rates range from 3.43% to 3.50%
 - Budgeted at 4%
 - \$8.2M savings over life of bonds
- High-quality ratings from Moody's and Standard & Poor's affirmed

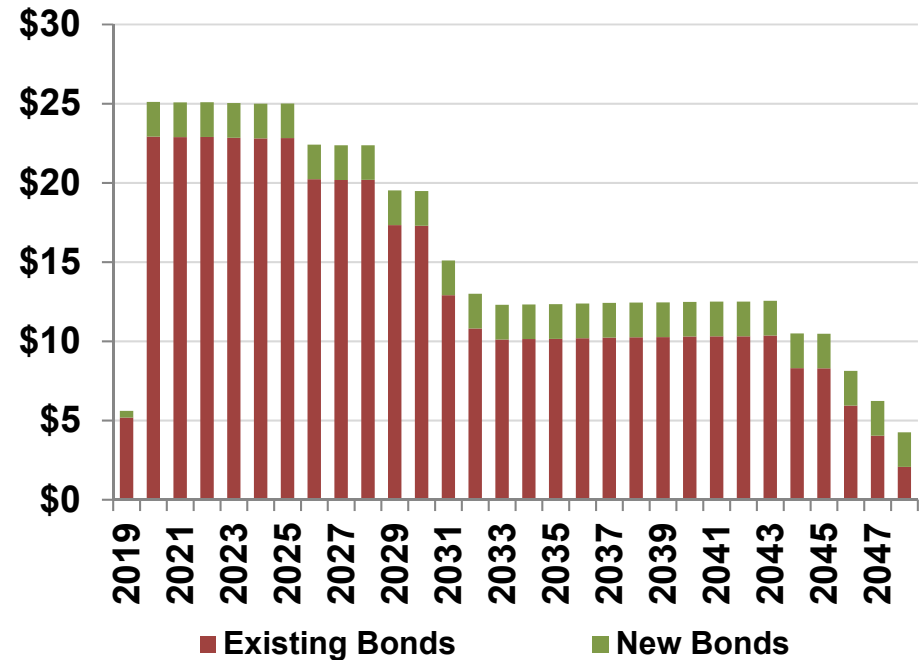
Bids on \$40M Electric Bonds

Bidder	True Interest Cost
Citigroup Global Markets	3.426
Hutchinson, Shockey, Erley & Co.	3.491
Meisrow Financial	3.563
Robert W. Baird	3.567
Raymond James	3.569
Piper Jaffrey	3.588
Bank of America Merrill Lynch	3.594
J.P. Morgan Securities	3.613

Electric Bond Profile

- \$322M in outstanding bonds
- \$133M in interest cost
- Principal paid in next 10 years: 47%
- Debt ratio: 46%
- Weighted interest cost: 3.55%

Electric Debt Service – Millions (\$)



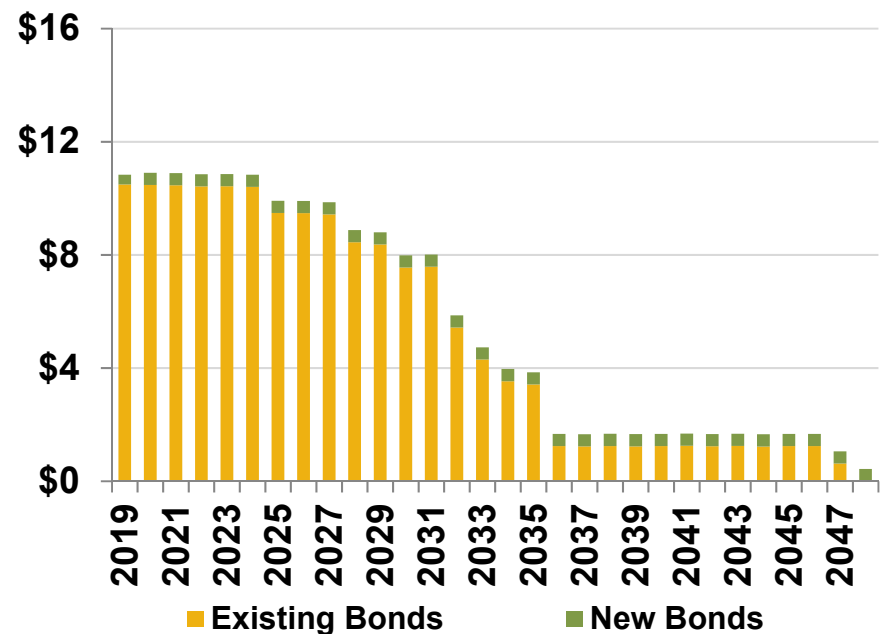
Bids on \$8M Gas Bonds

Bidder	True Interest Cost
Raymond James	3.500
Hutchinson, Shockey, Erley & Co.	3.547
Robert W. Baird	3.584
Citigroup Global Markets	3.611
J.P. Morgan Securities	3.655

Gas Bond Profile

- Favorable financial performance in FY 18 reduced sale by \$2M
- \$121M in outstanding bonds
- \$45M in interest cost
- Principal paid in next 10 years: 58%
- Debt ratio: 34%
- Weighted interest cost: 3.66%

Gas Debt Service – Millions (\$)



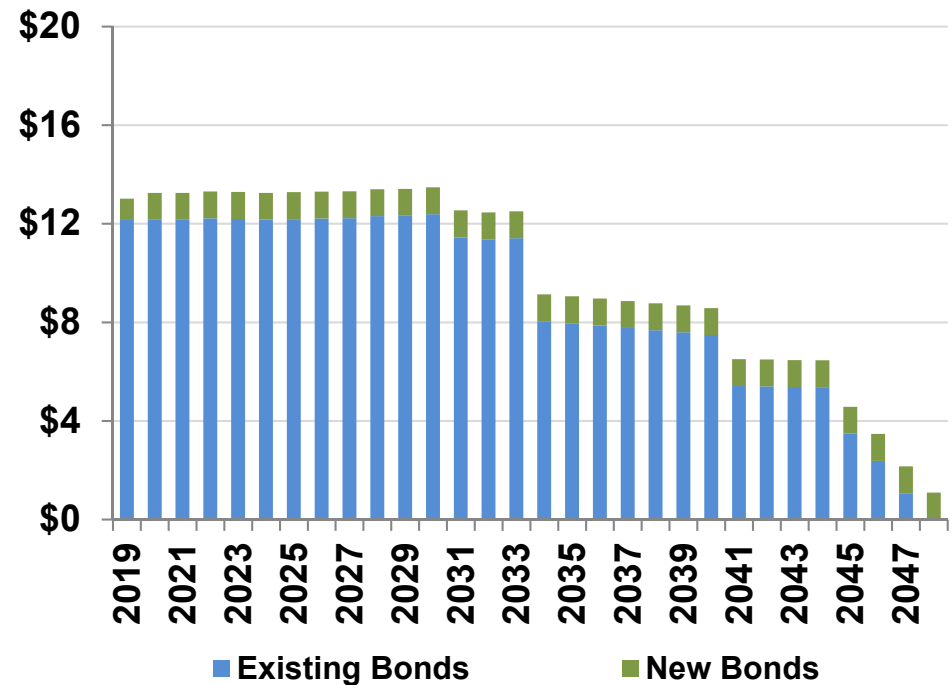
Bids on \$20M Water Bonds

Bidder	True Interest Cost
Citigroup Global Markets	3.464
J.P. Morgan Securities	3.490
Robert W. Baird	3.506
Hutchinson, Shockey, Erley & Co.	3.512
Bank of America Merrill Lynch	3.517
Morgan Stanley & Co.	3.547

Water Bond Profile

- \$199M in outstanding bonds
- \$97M in interest cost
- Principal paid in next 10 years: 37%
- Debt ratio: 51%
- Weighted interest cost: 3.55%

Water Debt Service – Millions (\$)



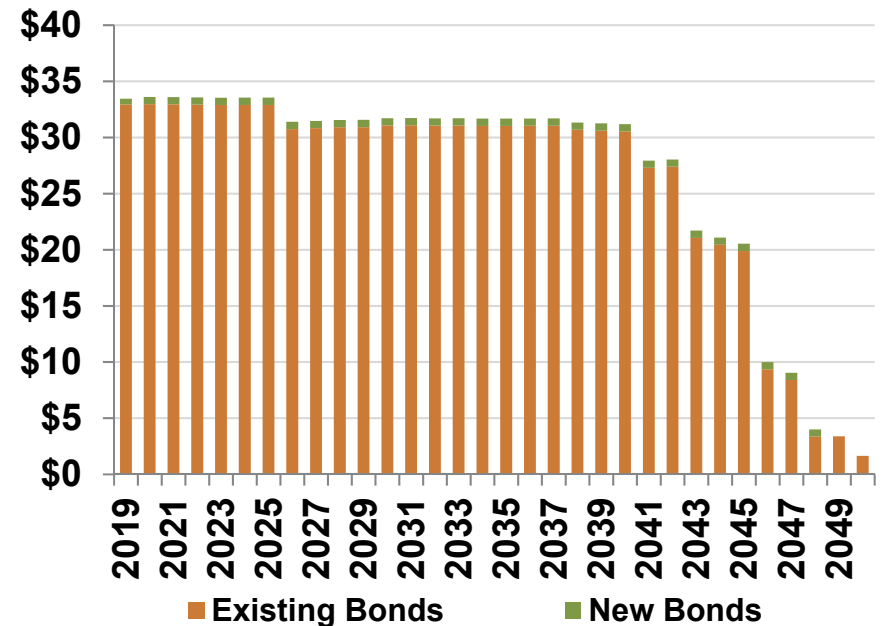
Bids on \$12M Wastewater Bonds

Bidder	True Interest Cost
Raymond James	3.500
Hutchinson, Shockey, Erley & Co.	3.501
Citigroup Global Markets	3.513
Robert W. Baird	3.520
Bank of America Merrill Lynch	3.532

Wastewater Bond Profile

- \$525M in outstanding bonds
- \$331M in interest cost
- Principal paid in next 10 years: 28%
- Debt ratio: 62%
- Weighted net interest cost: 3.61%

Wastewater Debt Service – Millions (\$)



Professional Fees

Cost	Professional Firm	Fee
Financial Advisor	Cumberland Securities	\$127,000
Bond Counsel	Bass, Berry & Sims	\$96,000
Rating Agency	Moody's	\$98,000
Rating Agency	Standard & Poor's	\$80,000
Paying Agent	Regions Bank	\$3,000
		\$404,000
Other Costs (Escrow, POS, OS, Advertising)		\$44,000
		\$448,000

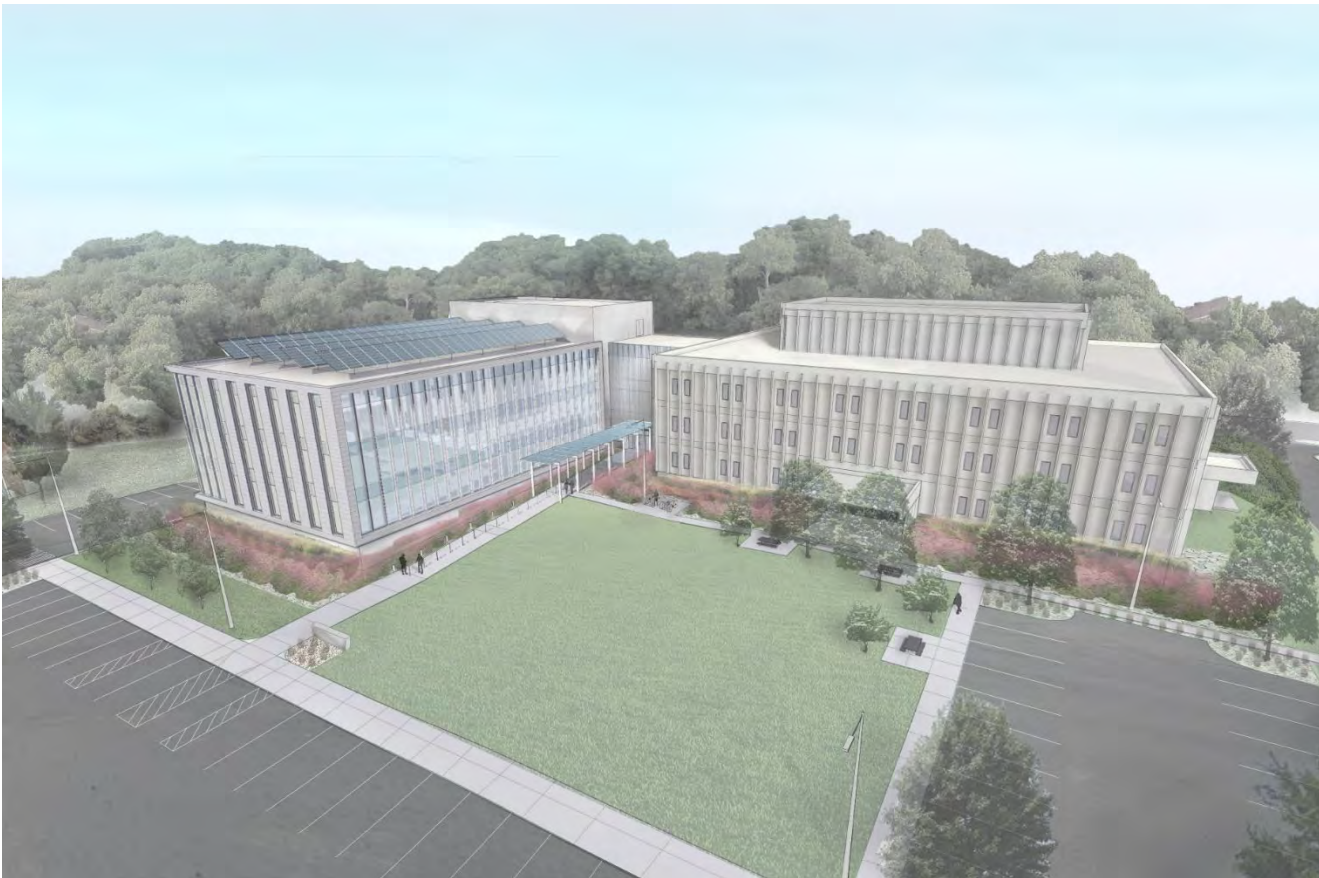
KUB

Engineering Building Update

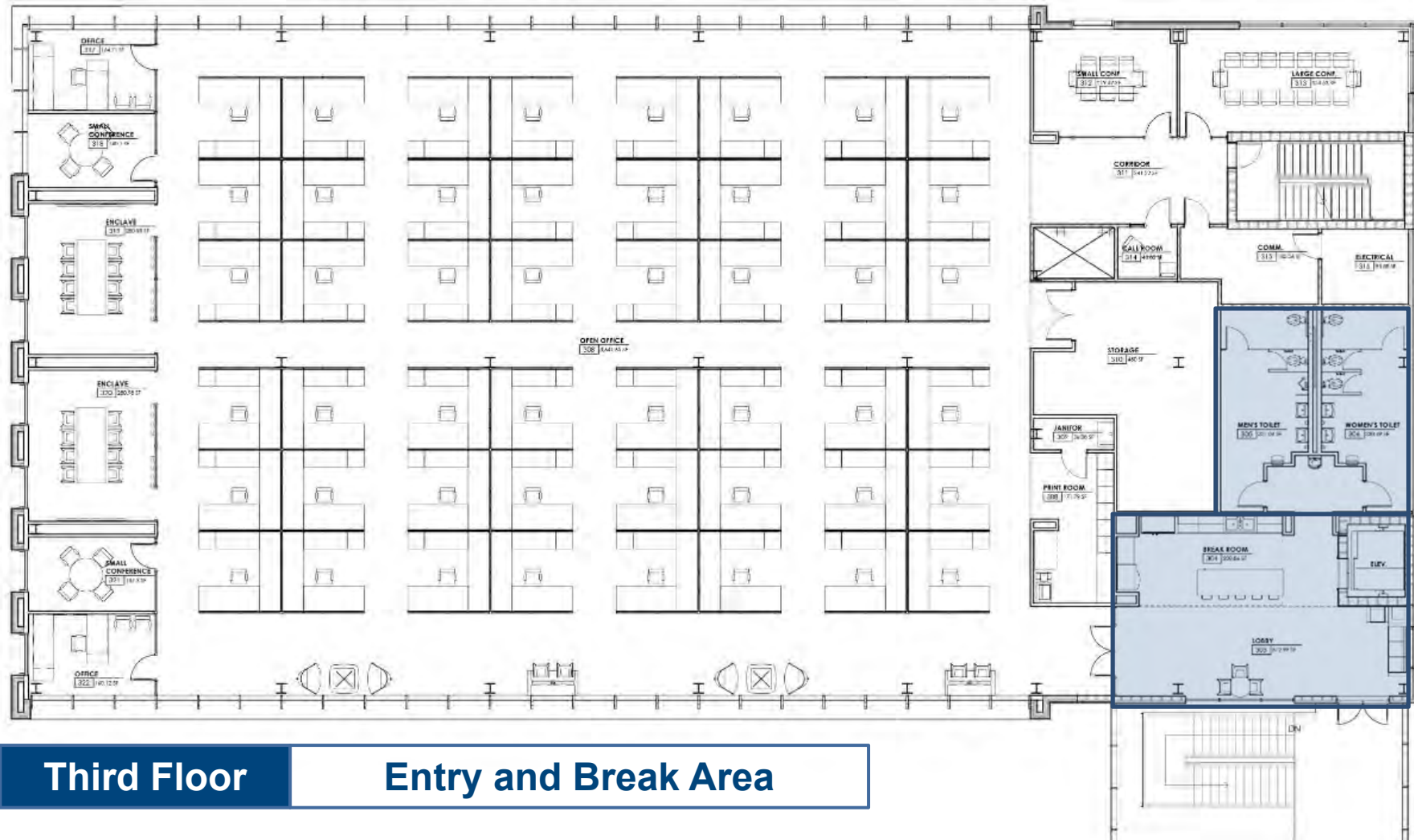
September 20, 2018



Construction On Schedule



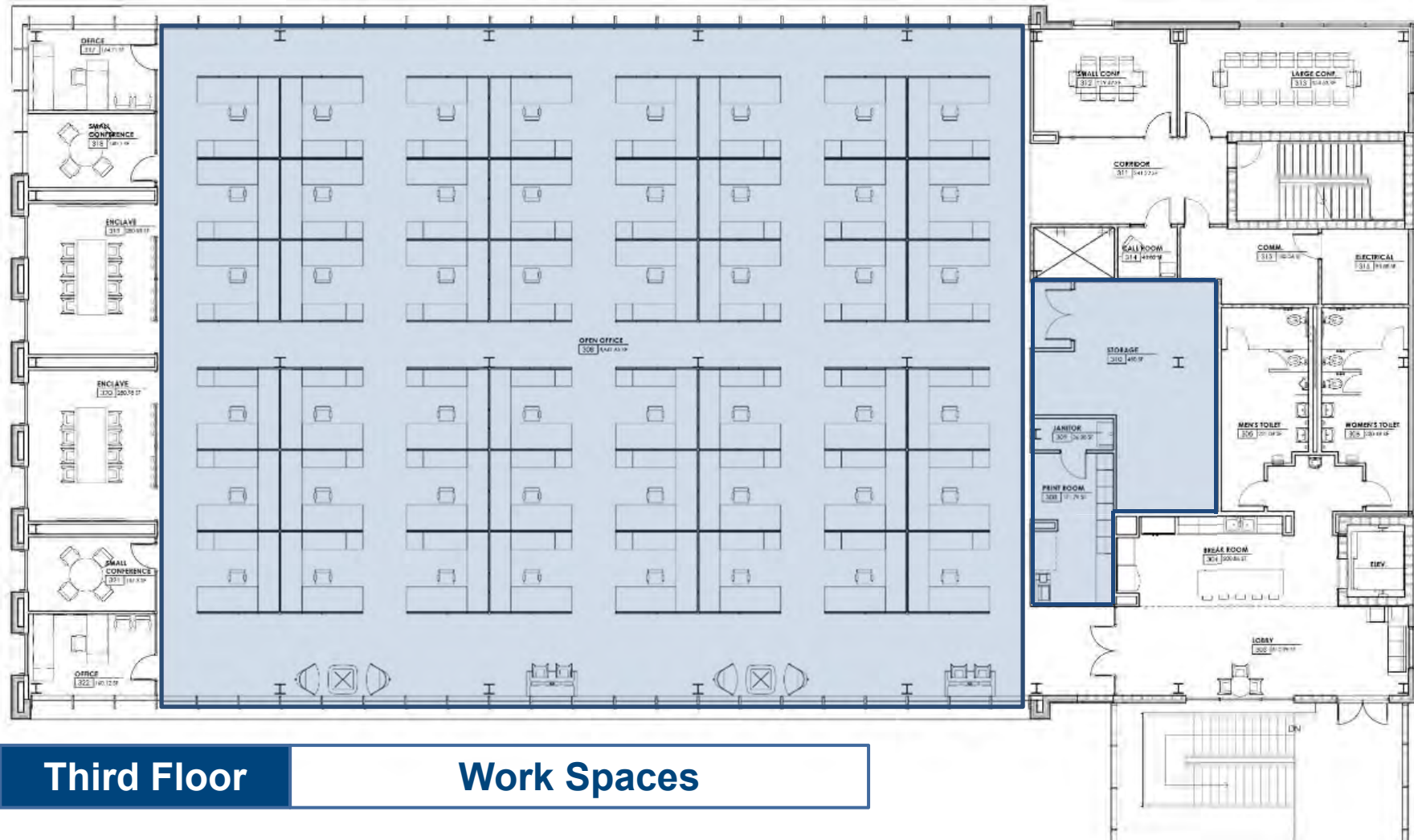
- Blaine Construction
- Expected completion July 2019
- 45,000 sq ft
- 180 employees



Third Floor

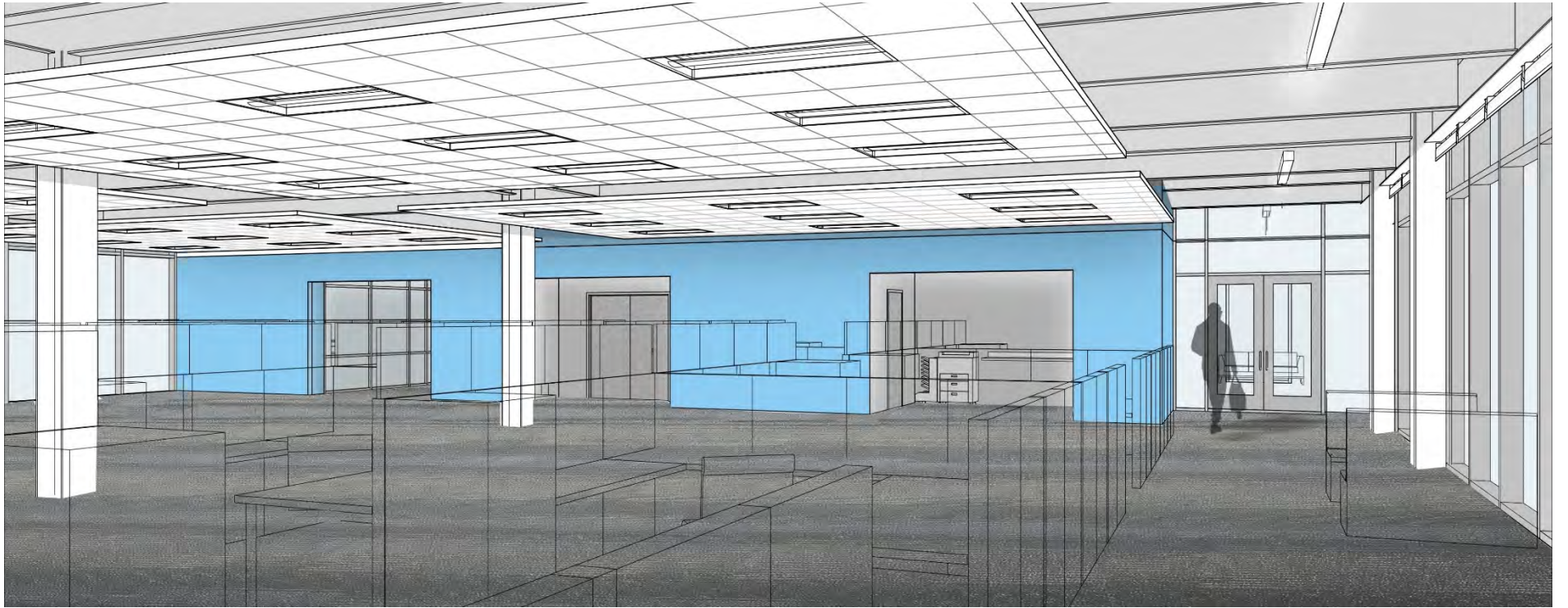
Entry and Break Area

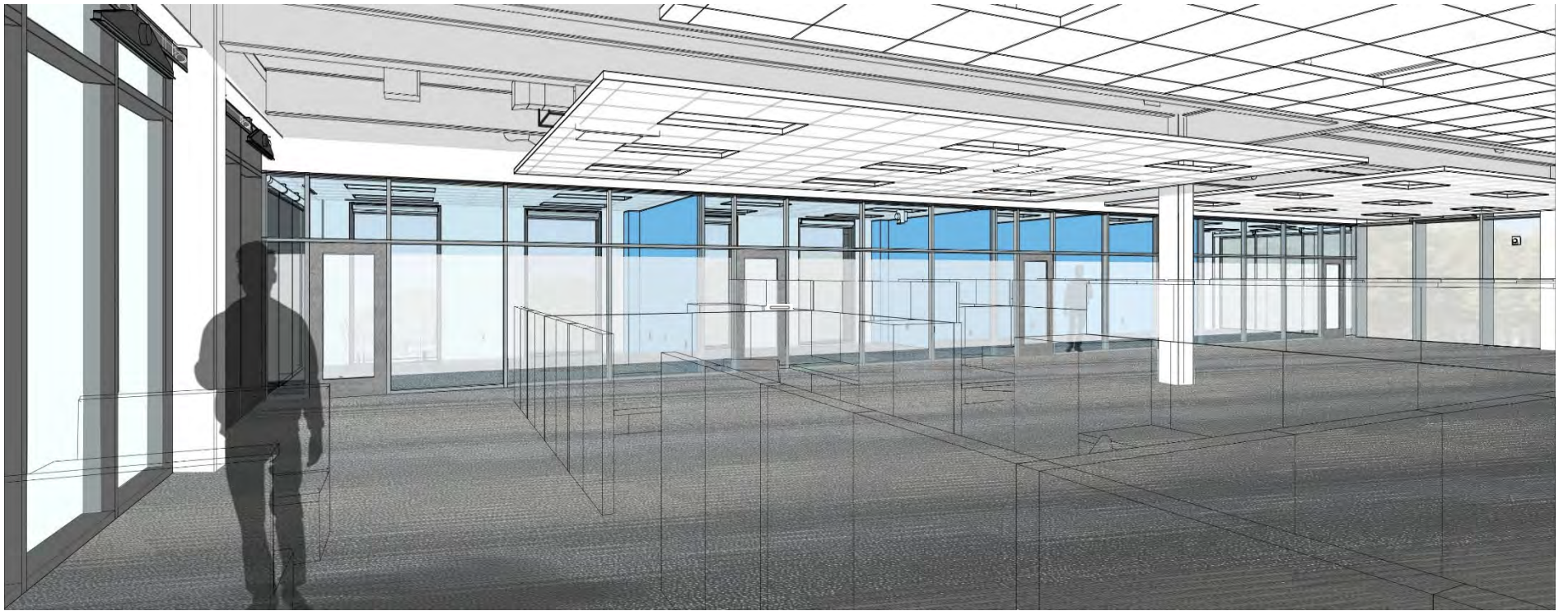


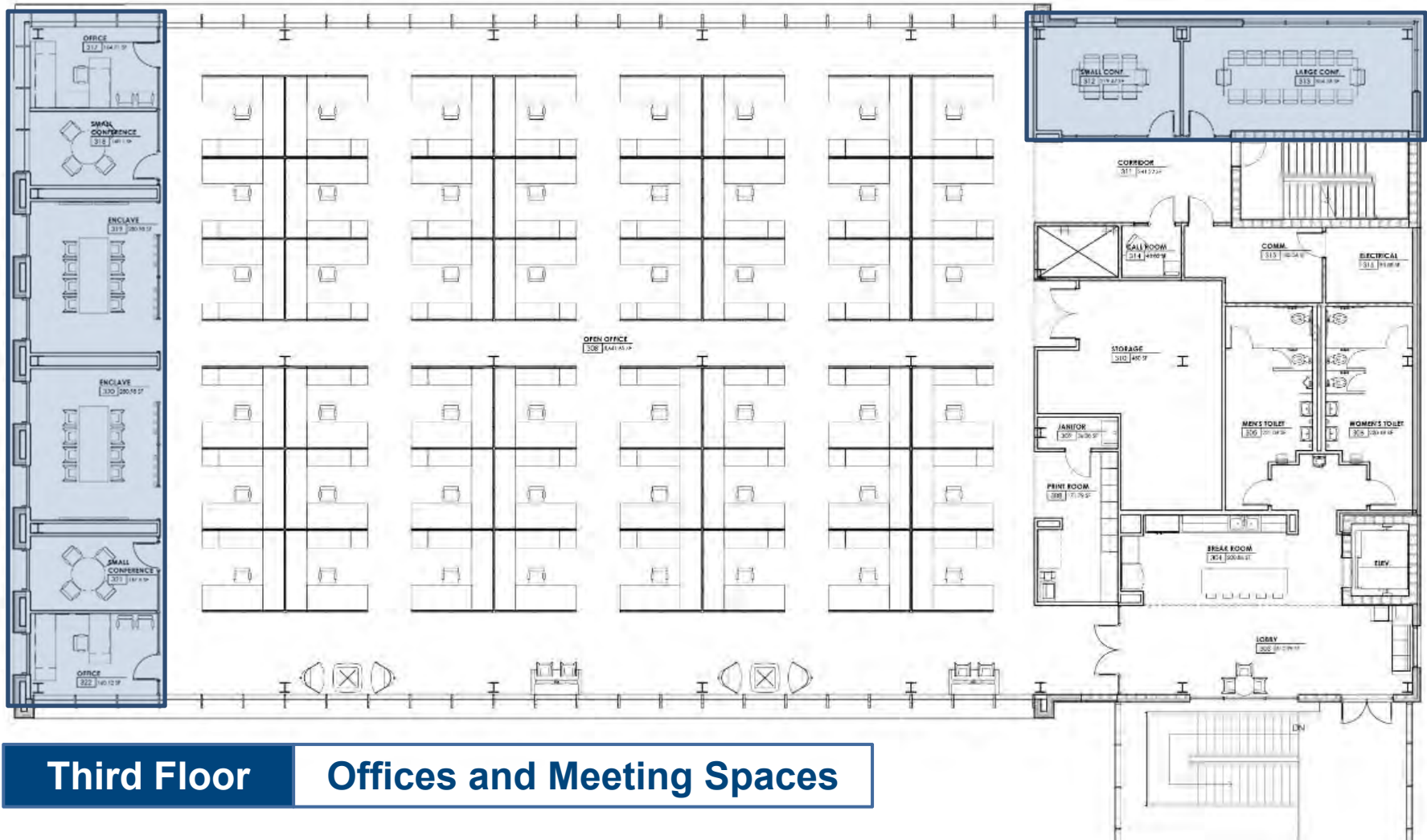


Third Floor

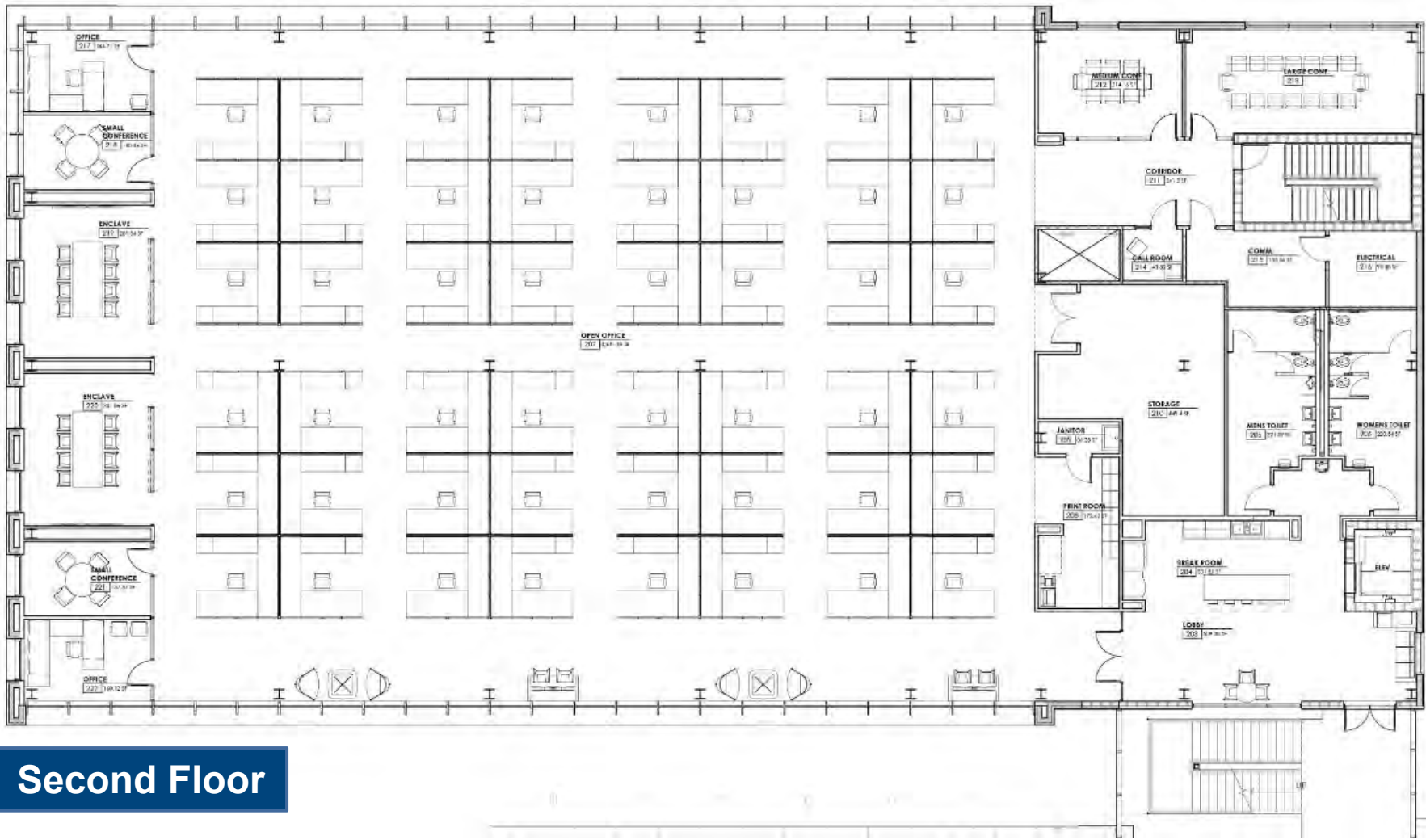
Work Spaces



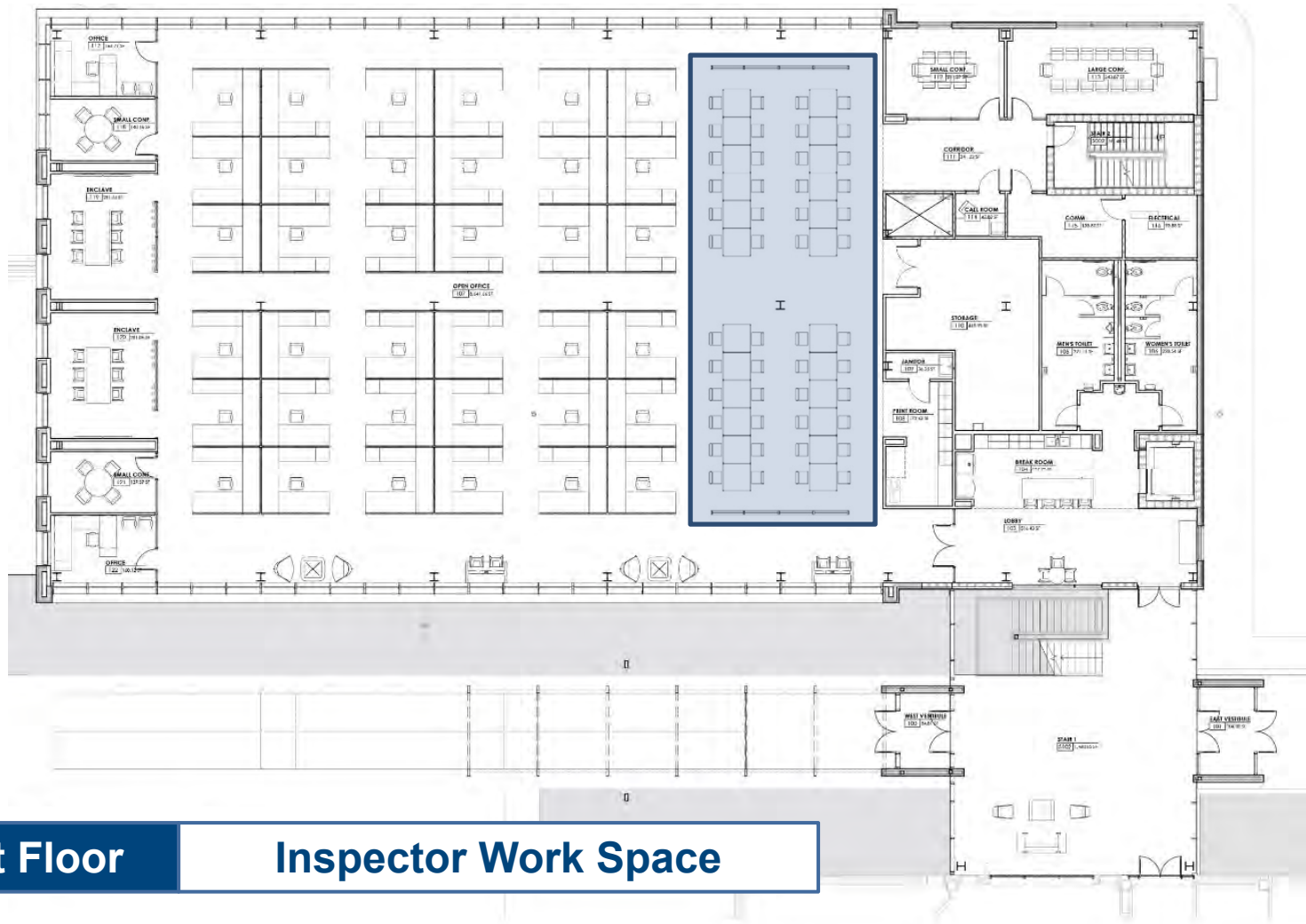




Third Floor **Offices and Meeting Spaces**

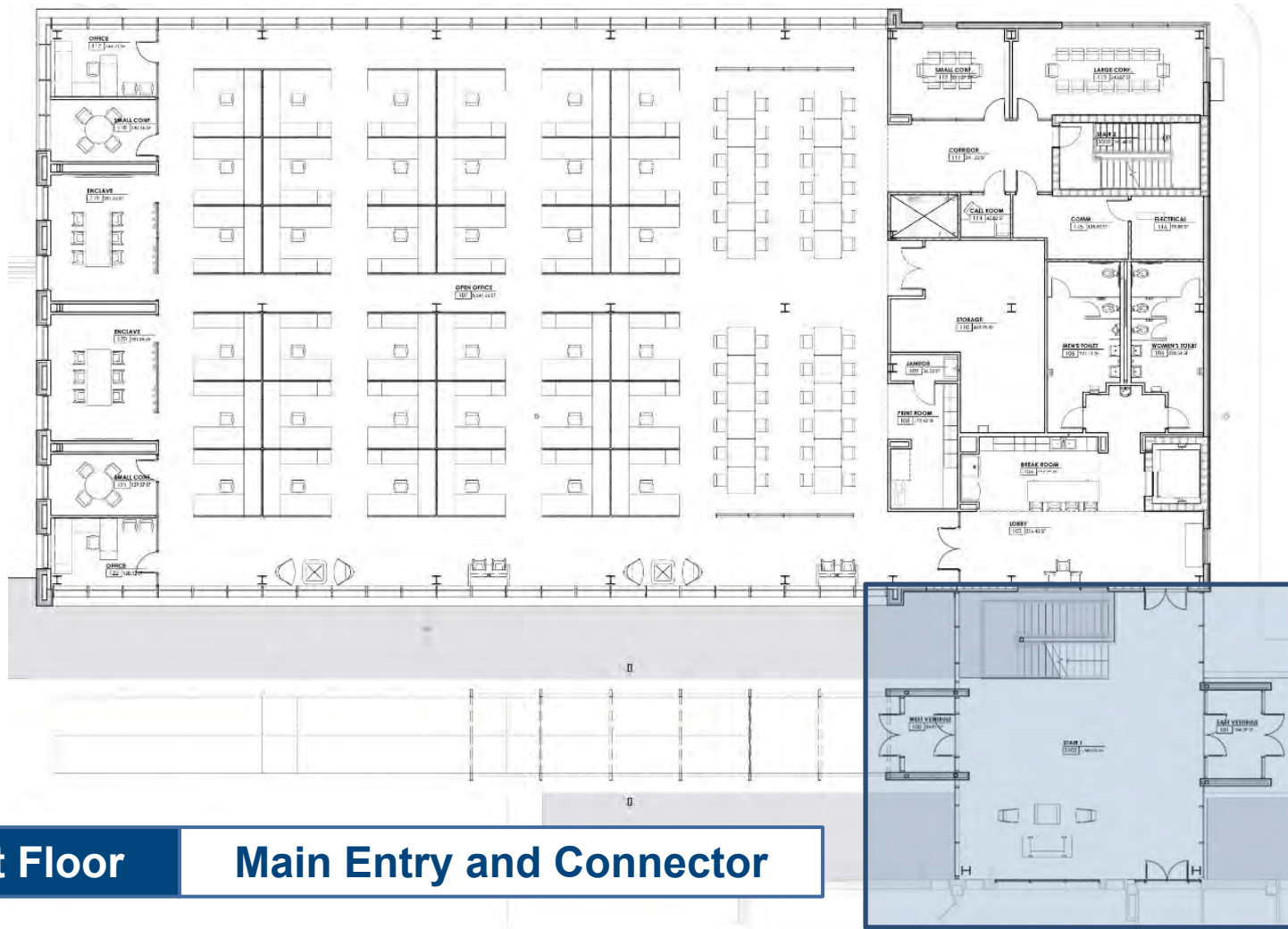


Second Floor



First Floor

Inspector Work Space



First Floor

Main Entry and Connector





Interior and Exterior Design Improves Workflow



Kickoff Celebrated With Employees February 21



Demolition and Recycling Began in March



Foundation and Structural Work Began in April



Structural Work Continued Through Summer



Steel Work Began in August



Today



Safety Continues To Be Top Priority



Expected Completion July 2019

- October: Steel frames complete, floors placed
- November: Roof installation
- March 2019: Exterior complete
Operations Building renovation bidding
- May 2019: Interior complete
- June 2019: Paving, sidewalks and landscaping
- July 2019: Substantial completion
Operations Building renovation begins

KUB

Leadership Development Update

September 20, 2018





Our Vision:

KUB exists to serve its customers, improving their quality of life by providing utility services that are safe, reliable and affordable.

Shared Values:

- We value the safety and well-being of our customers and employees.
- We value fairness, and try always to make decisions that provide the greatest good for the most people.
- We are in a position of trust and hold ourselves to high ethical standards.
- We improve the value of our services through efficiency, innovation and communication.
- We value the commitment and hard work of our employees.
- We are environmentally responsible in our operations and support the sustainability of our communities' natural resources.
- We participate in the communities we serve.

Our Mission:

Our mission is to act as good stewards of our communities' resources: utility assets, customer dollars, and the environment. We work to safeguard those resources and enhance their value for the people of the communities we serve and generations to come.

We Measure Our Success by:

Customer Satisfaction	System Performance	Financial Performance	Safety Performance
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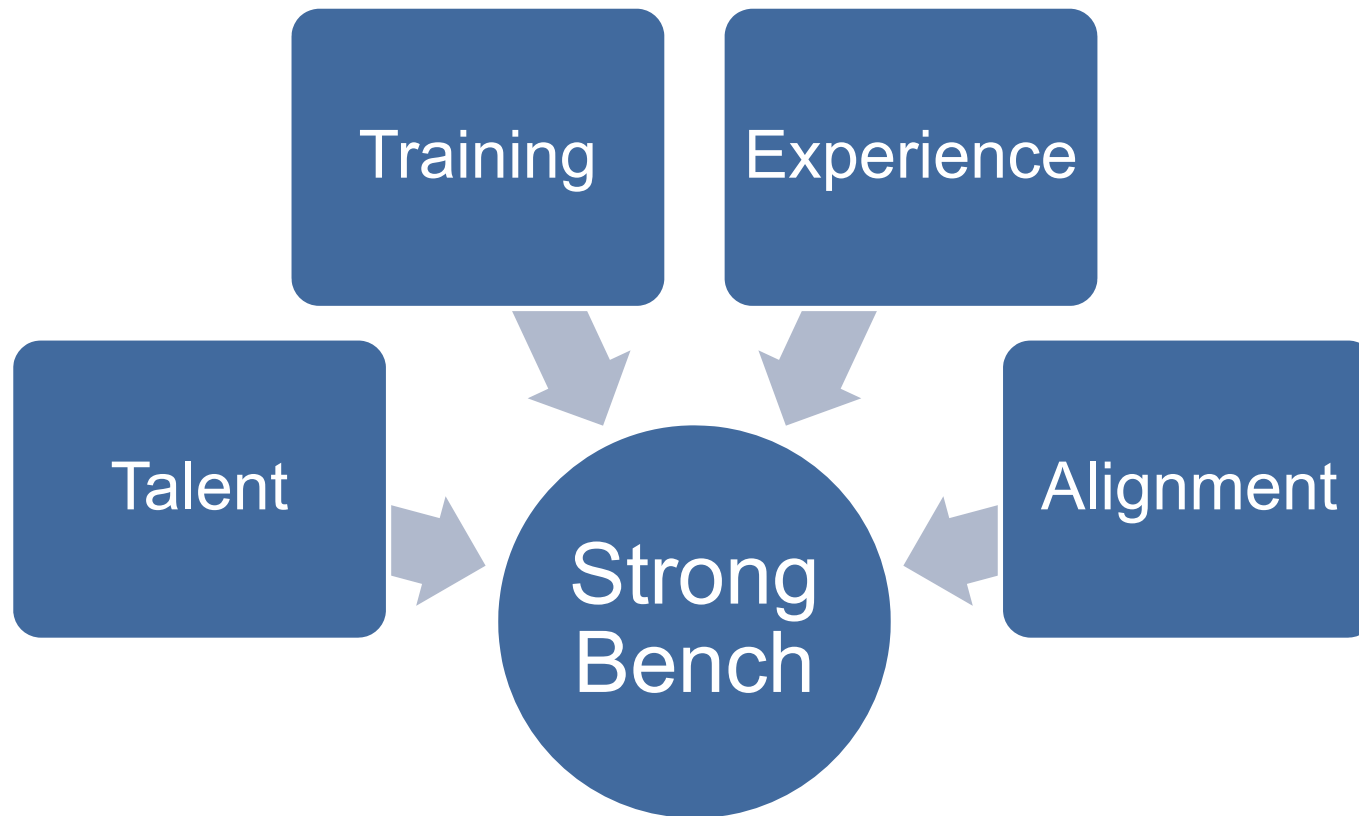
Keys to Success:

Managing Our Utility System Infrastructure

Electric	Natural Gas	Water	Wastewater
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Improving The Customer Experience	Managing Our Finances Effectively	Meeting Or Exceeding Regulatory Standards
Investing in A Skilled, Diverse Work Force	Partnering For Economic Development	Being Environmentally Responsible

Elements of Leadership Development



Succession Planning/Leadership Development

- 2012 effort focused on strategic planning and leadership development
- Began with all VPs and selected managers
- Goal: to ensure a deep management bench
- Results:
 - Leadership Development Program (LDP) implemented
 - Other initiatives for leadership at all levels

Investing in Future Leaders

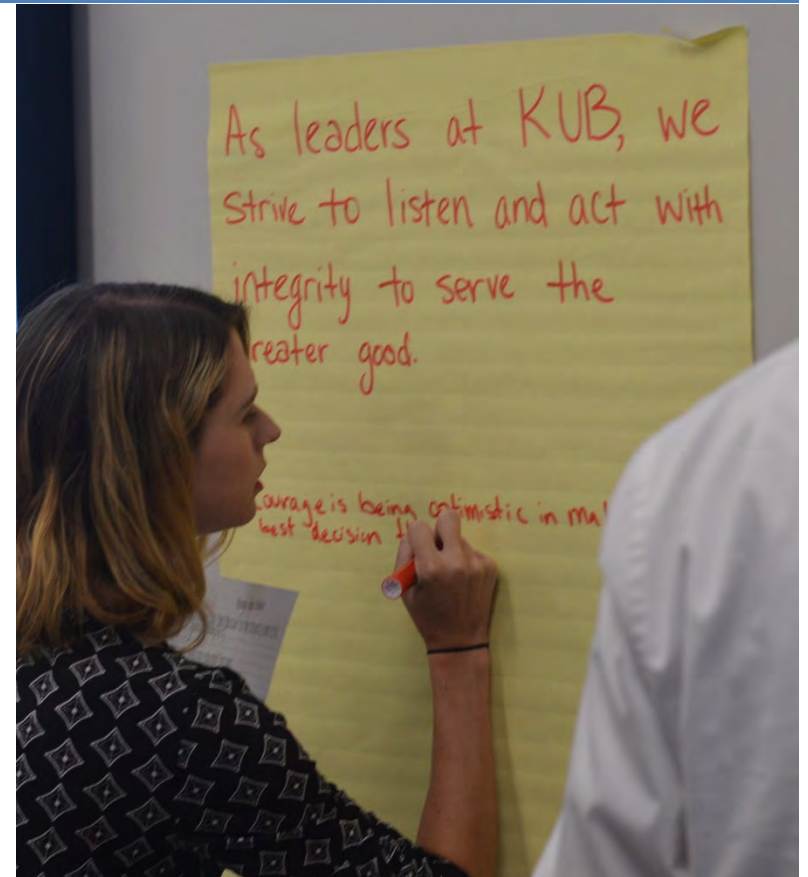
- Learning Center
- Business Education Series
- Supervisor Training (HR Essentials)
- Educational Assistance
- Leadership Development Program (LDP)

LDP Preparation

- Selection process:
 - Managers/VPs nominated participants
 - Employee Development Steering Committee recommended class
 - Senior Staff approved the roster
- Prior to kickoff:
 - Personal assessments
 - Leadership Behavior Surveys (360 assessment)

LDP Addresses Many Facets of Leadership

- Personal Professional Development
- KUB Organizational Knowledge
- Community Education and Outreach
- Relationship Building



Curriculum Includes a Variety of Learning Opportunities

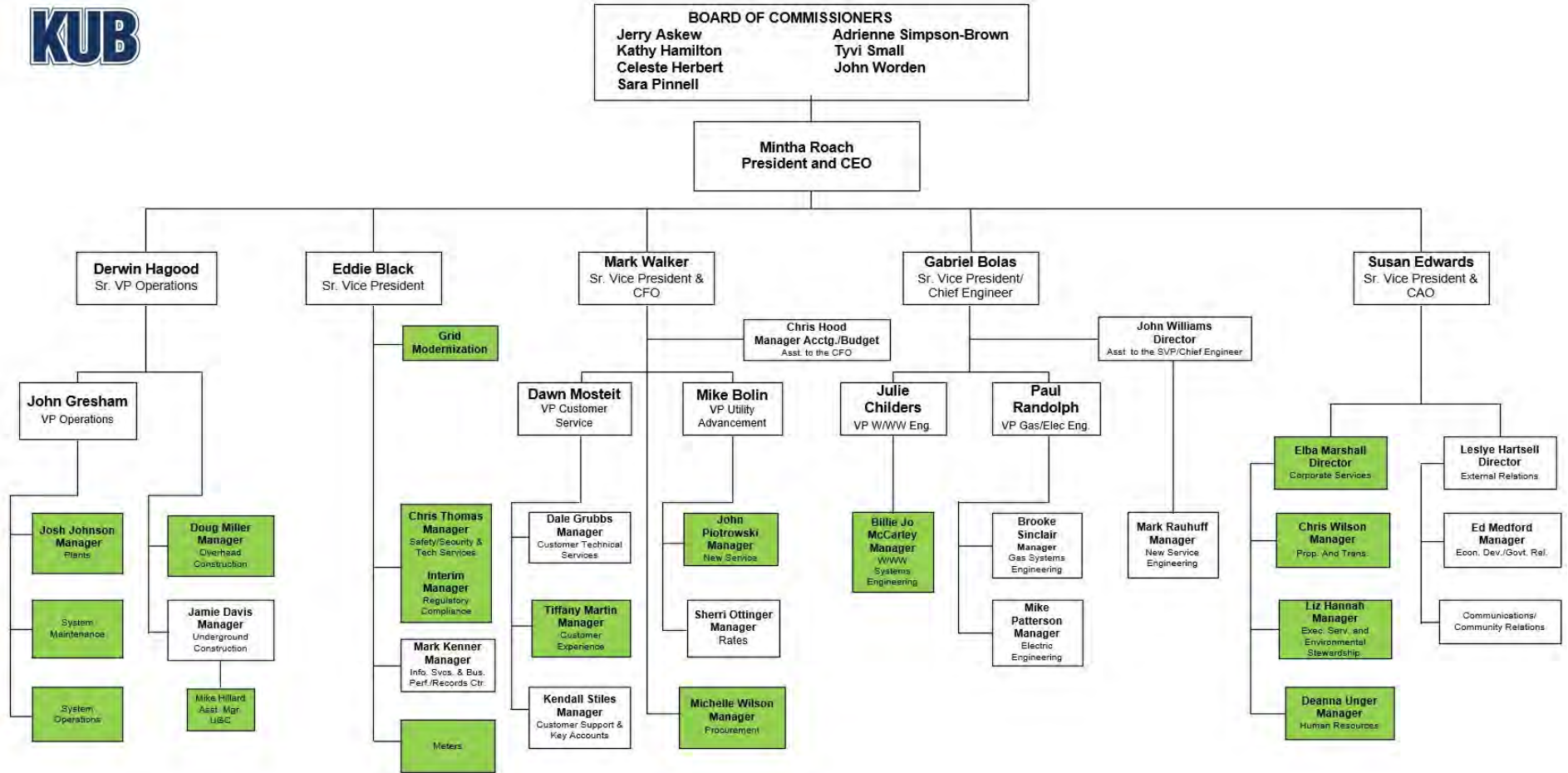
- Individual Development Plans
- Classroom presentations



- Projects
 - Community Service Project
 - LDP Assessment
- Field Trips
 - Lifetime Products
 - TVA

Goals for the Program

- Diversity in leadership pipeline
 - 20% minority representation among class members
- Retention levels better than KUB population
 - Early results met goal, but economy is making this more of a challenge
- Stronger bench for leadership positions
 - Half of LDP graduates have had a promotion
 - 67% have had some other leadership opportunity



Note: Gabriel Bolas will be sworn in as President and CEO on October 18, 2018

August 2018

2018 Leadership Development Graduates



Course Feedback

Most Beneficial Components

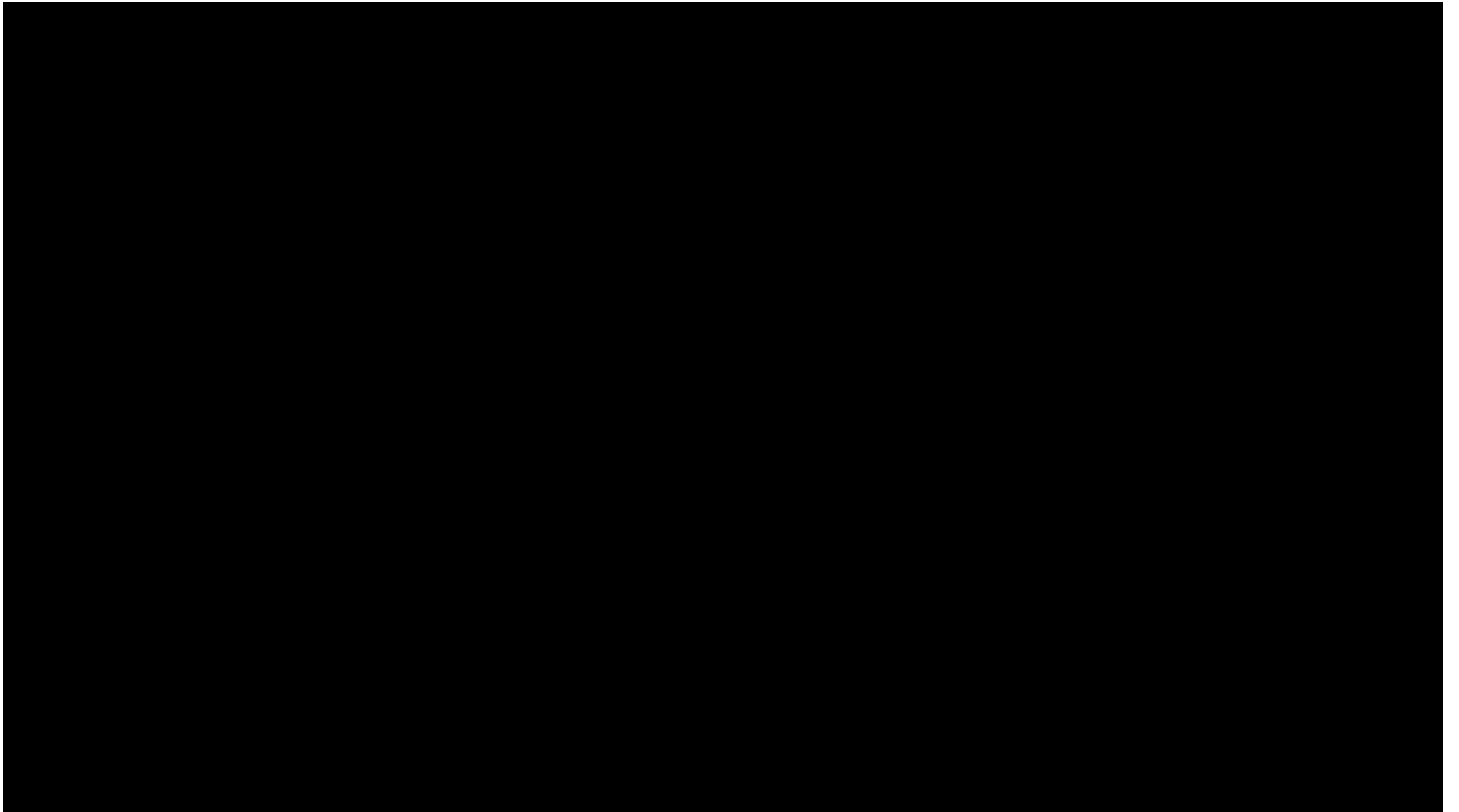
- Executive Staff involvement and interaction
- Networking and building relationships
- Developing an understanding of KUB
 - KUB's Corporate Strategy and Blueprint Course
 - Managing our Finances Effectively – KUB's Financial Strategy Course
 - KUB's Values and Servant Leadership Round Table
 - Defining Moments Round Tables

Participant Feedback

“It takes everyone doing what they do best to align with the Blueprint to serve our customers with a level of expertise and commitment we have promised.”

“It is empowering to see employees, with or without a title, exemplifying and cultivating ...servant leadership.. throughout our organization.”

“It does not matter what department you work in - everyone in the program shared the common goal of wanting to make KUB better and better.”



Thank you,
from your KUB
family.